THE TICKER

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The Powers Behind the Market

III. Carnegie—The Vanderbilts—Ryan—Schwab—The Moores—Lawson—and the Public

By ROLLO TAPE

LOOKING over the list of "Powers" we have mentioned, some of our readers may note the omission of Carnegie, the Vanderbilts and other prominet multi-millionaires. In this series it is within our province to deal only with those firms, persons or institutions which are instrumental in producing the important market moves, and who may therefore be open to suspicion as perennial market riggers. However it may not be amiss to say a word regarding them and some others.

ANDREW CARNEGIE.

Mr. Carnegie cannot be considered in the above class. The income from his $300,000,000 must yield him over a million a month, and his problem is to get rid of it. He abhors speculation and his interest in the market is solely that of an investor. That is to say, he does not go in for market turns. Of course no scruples would prevent his buying back control of the U. S. Steel Corporation if this were possible. This would be an investment from his viewpoint.

It is said that the Ironmaster, upon turning over the Carnegie plant to the Steel Corporation, remarked significantly, "Well, I'm going out of the steel business for four or five years. After that, who can tell what will happen?"

Again, at the last annual dinner of the Corporation's employees, he is quoted as saying in his speech, "Boys, it looks as though we'd have to take our plants back at ten cents on the dollar."

From the above it may be judged that the shrewd Scotchman wouldn't mind once more having an active finger in the Steel pie. Beyond this, we doubt if anything in the stock market holds an interest for him.

THE VANDERBILTS.

The Vanderbilts, as a family, or as individuals, are seldom found fingering the tape. They are a family of investors and those who made their reputation are "mouldering in the grave." Certainly none of the present generation has done anything to call forth enthusiasm, though "Young" Cornelius seems to be made of the right stuff. He and his brothers were in right on Interborough a few years ago, when it sold above 200, but that was simply a flyer. The boys are nothing more than occasional speculators, and as for the rest of the family they own bonds, guaranteed stocks and certain sections of the Vanderbilt system, which yield them a fixed income.

As stated by Chas. P. Norcross in a recent issue of the *Cosmopolitan*:

"It is probable that the Vanderbilt family combined does not own five per cent. of the stock of the New York Central, or any other of the so-called Vanderbilt lines.

"Why does control of this property rest with the Vanderbilts when they are minority stockholders? The query is natural and the answer simple. It is a matter of momentum. The Commodore primarily and W. H. Vanderbilt following in his footsteps planted their individualities so strongly upon the system that the name has become synonymous with the road.

"Through years of operation the Vanderbilts have designated their own executives until they control every operating and traffic official of the system. These men naturally turn to the head of the Vanderbilt family for instructions.

Stockholders are widely scattered. There is lack of cohesion among them. An annual stockholders' meeting is a farce. Once every year Senator Chauncey M. Depew, accompanied by the president of the New York Central (the present official is W. H. Newman), a corps of clerks and smaller officials, goes to Albany, and there is a stockholders' meeting. If this were England hundreds of stockholders would be on hand, and many pertinent queries would be propounded, but at these meetings there is hardly ever an attendant except the officials of the system, equipped with proxies, who carry out the program of the family. For years one old man from Malone, who holds ten shares of stock has attended the meetings, but he is regarded humorously by the railroad people. There you have the control.

Owning but a small percentage of stock the Vanderbilt family does own what is known in the railroad world as "the milkers." For instance, the family owns all the stock of the New York and Harlem road. This road, with its ten millions of stock and twelve millions of bonds, is leased for four hundred years to the New York Central. Is it leased on a basis favorable to the stockholders of the Central? Well, hardly.

"The lease price was formerly eight per cent., but in 1900 it was raised to ten per cent. It is an underlying obligation and must be paid. Then the bonds were seven per cent. obligations, but in a burst of magnanimity upon a readjustment at maturity the family cut the rate to three and one-half per cent., but as an afterthought decided that of the $420,000 saved $200,000 should revert to the Harlem company.

In addition the family owns the Albany bridge. This is the traffic route over the Hudson, and the car charges for the service are far in excess of those paid on other bridges and net a handsome return. The fast-freight lines with advantageous rates, the great construction companies with fat contracts, the first-mortgage bonds, the construction bonds and like cream will be found in the hands of the Vanderbilts. They own the secured liens on the property and leave the stock to the public, as the stock gets its dividend last.

"When the late Cornelius Vanderbilt died an inventory of his estate showed that he owned less than two million dollars of stock of the New York Central, of which he was the executive head, or about two per cent. of its capitalization at that time. The inventory did show, however, that he owned nearly twenty millions of gilt-edged bonds of the system. What is true of his estate is probably true of all the Vanderbilt family. The members do not care for stock, particularly. The sure money is in bonds and underlying securities. Dividends may have to be cut, but fixed charges must be met or else a receiver."

THOMAS F. RYAN.

Mr. Ryan is essentially a promoter—not a manipulator. At times, circumstances demand that he take a hand at making prices—someone must "get busy" marketwise when securities are to be accumulated or unloaded. American Tobacco, Interborough, Electric Vehicle and B. R. T. are among the properties which occupy the attention of Mr. Ryan. He also dabbles, either as principal or as catspaw, in other fields, ranging from Life Insurance to Cobalt Mining properties.

He differs from the ordinary promoter chiefly in the magnitude of his operations. Having made his pile he now

plays for tremendous stakes. His losses are in proportion to his profits. The former are discussed in whispers, while his successes are blazoned abroad. Thus do financial giants resemble their pigmy brethren who expatiate on the ten-point profit made over night, but forget to mention the dollars they lost before and since that felicitous event.

JAMES J. HILL.

"Jim" Hill's record stamps him as a railroad genius. His immense fortune was erected through his ability to accomplish the impossible in the field of railroad construction and operation.

Wall Street and the foreign money markets are merely reservoirs from which he replenishes his funds. With the dollars obtained he builds more miles of road, taps new sections, earns increased dividends, and cuts more melons for those who supplied the seed.

Mr. Hill is active in the market at such times as: When in 1901 Harriman threatened his supremacy in Northern Pacific; when panic prevails and it is necessary to prevent the prices of Great Northern and Northern Pacific from declining, so as to injure their prestige. Under such conditions Mr. Hill and his associates form a pool, buying on a scale down or when extreme weakness develops. Stock so bought is either fed out on the rallies or held until there is a general recovery. In this way a ready market is established and the public is able to find buyers at all levels.

Such operations do not in the least smack of those presumably followed by the mysterious market wire-puller. In fact the deeper we search, the more phantom-like he appears.

CHARLES M. SCHWAB.

Schwab came into Wall Street with a resounding splash. "Mein Gott in Himmel," said Charlie, with a glance about him, "I'm the biggest toad in this puddle!" Then with a whoop, he started in to prove it.

But Charlie knew more about blast furnaces than he did about the blasted quotations; was past master of open hearth work, but a dub at the game wherein cards are stacked and doors tightly closed. Having dumped a freight load of U. S. Steel securities he proceeded to wallow in those of which he knew nothing. He was loaded for further orders with Copper and every old thing when the panic of 1901 came along and tore such a hole in the seat of his trousers that Charlie was obliged to cover his—awkwardness with a fat hand.

This might have taught him a lesson, but it didn't. Next year he made one of the nerviest plays in the history of the stock market. He actually started to buy control of the Pennsylvania Railroad Company. The orders were handled by a New York Exchange house, with offices in the Empire Building, and before Charlie cried "Enough!" the stock was above 170 and investors the world over were "handing it to him."

It will be seen from the above that Charlie had the "ambish," but not the requisite training and the wealth of Croesus wherewith to accomplish his purpose.

In his rise to fame he had exchanged the stein, the cob pipe and the dinner pail for perfectos, rare vintages and the banquet table. On every side, hands were stretched out to him—promoters, with schemes for doubling his millions; would-be prima-donnas offering to sing their siren songs (at his expense) or blondes perox, who wished to show him some of the sweets within reach of multi-millionaires.

The result was that Charlie burned the candle at both ends and in the middle, lost his Steel Trust job, his nerves, prestige and several million dollars all within two or three years after his power was supreme.

The Shipbuilding flotation put the final crimp in his roll. Since then no one has accused him of influencing the ebb and flow of the stock market.

THE MOORE CROWD.

Diamond Match first illumined the path of the Moores and D. G. Reed to their respective niches in the Hall of Fame. With the millions made in matches they formed the American Can Company, the stock of which they tied in bunches to the tail of every bull they

could find. Their brokers in New York and Chicago had orders to fill all bids.

This campaign resulted in more millions which were spent for the control of the old Rock Island property. Tacking on a few roads of doubtful value, as if to excuse the bloated appearance of the monster, they succeeded in finding purchasers for the bonds, the voteless common stock, and such of the preferred as was not necessary to their control.

The combined resources of the Moores and Reed, if judged by the will of the late W. B. Leeds (also one of the "Big Four") must aggregate well over a hundred millions—a monument to those credulous Americans who leap first and look afterwards.

Mr. Reed is at present quite a factor in the market for certain stocks. Neither he nor the Moore Brothers, singly or combined, are big enough to hold the market under their thumb or make it do more than their temporary bidding.

THE FIRST NATIONAL BANK PARTY.

A few years ago a friend said to me, "When I was down in Wall Street there were certain people connected with the First National Bank who laid out the prices of Reading and Jersey Central before the opening each day."

That might have been true in the old days, but we do not believe the statement holds good at present. The First National people were always large holders of these stocks. Their operations were so successful that millions were added to the bank's surplus. Recently the First Securities Company was organized to take over the bank's security holdings and the melon thus created was sliced up among stockholders of the institution. Just how the Securities Company operates we leave it for insiders to tell. We feel confident that its power is not employed in rigging the price of Reading or of other stocks.

PROMINENT TRADERS.

We will not here discuss operators such as Livermore, Brandt Walker, Geo. Kessler, the big floor traders and others who swing heavy lines of stock at times; nor do the speculative banks, trust companies, insurance companies, the pools and syndicates and other market elements enter into these calculations. They all make their impress upon prices under various conditions, but for brief periods only.

So we will pass on to the personality which has of late been much in the limelight.

THOMAS W. LAWSON.

Did you ever stop to think that in their mental attitude toward the game, devotees of Wall Street resemble either animals, birds, or fishes?

The characteristics of the Bull, and the Bear, and the Lamb are too well known to need description. Next we have the Jackass, famous for his ability to do the wrong thing at the right time and the right thing at the wrong time; the Hog, who monopolizes the ticker to the exclusion of the rest of the menagerie; the Wolf, who drags down his victim by means of fake market letters, sure thing tips and discretionary accounts; the Wildcat, who inhabits the Sunday papers and is astonishingly prolific in boom times.

Chief among birds is the Owl, who from his perch on the ticker dispenses wisdom in chunks to the delectation of novices and the disgust of professionals.

But the Sucker outnumbers the rest by ten to one, and this sad but true condition is at the bottom of Thos. W. Lawson's success as the Prince of Charlatans.

If you were to take your natural history and canvass among the skyscrapers of Wall Street for a composite opinion as to which animal Lawson most resembles, it seems to us that nine people out of ten might point to the Skunk—he is able to create a bigger stink than any other living thing.

The Suckers who bite at the Lawson bait are of two kinds—(1) those who don't know enough to know better, and (2) those who know better, but hope, having put them in wrong nineteen times, he will give them a little show on the twentieth occasion. And they bite in two ways—they either buy or sell at the oracle's command, or send their money in for him to play with.

A Western brewer of the latter stripe, evidently impressed by one of the Law-

son campaigns, sent the following letter and enclosure to Boston:

DEAR MR. LAWSON:

I enclose check to your order for $200,000, which amount represents one-third of my profits in the brewing business during the past year.

Kindly use this money in the stock market for my account according to your best judgment.

Which proves that all suckers are not "small fry."

Lawson's opinion of those who pour their millions into his voracious maw is found in *Everybody's Magazine* for February last, wherein he said:

spent a year or so accumulating at six cents a share and up, he thus turns over to such Suckers as have never before been hooked by him, at $1.50 per share—2,400 per cent. profit!

God help the Bay State Gas treasury now that he has the key. To quote from one of his recent advertisements:

"I personally guarantee that all funds will be always on hand unless lost in the stock market."

There is always a loophole in any guarantee Lawson may make, but in this case wise people understand how money can be lost in the stock market and still be "on hand."

Lawson's Opinion of the American People

You talk of what I owe the people. What do I owe to the gelatine-spined shrimps? What have the saffron-blooded apes done for me or mine that I should halt my decisions to match their lightning-change ten-above-ten-below-zero chameleon-hued loyalty?

The people! The very name has so sealed itself into my being, that, heeling its every appearance, of late, are myriads of fantastically appareled marionettes whose solemn graphophoning of "Our rights, our privileges," whose bold fronting of mirror shields and savage circling of candy swords, make me almost die a-laughing. Forgive me, my dear Ridgway, but the people, particularly the American people, are a joke—a System joke.

It seems to us Mr. Lawson owes the "gelatine-spined shrimps" two things. First, the return of the millions he has caused them to lose, and, second, he owes it to them to Shut Up!

The people certainly never demanded that Lawson enter the arena as their champion, and all the graphophoning in the whole matter has emanated from Boston.

There is this difference between Lawson and other pirates: Lawson advertises to his victims one day that he is about to rob them; next day he announces "I am robbing you," and the third day, "I have robbed you." Meanwhile they stand with hands locked behind, open mouthed, pocket flaps up, star-gazing while he gets away with their coin.

The Bay State Gas, which he has

The Bay State campaign enabled Lawson to "land" a few more of the green variety, but there simply were not enough of the untrimmed to take even all of his personal holdings of Bay State Gas, which were for sale. In spite of his earnest pleadings and heart-to-heart talks, neither the menials nor the millionaires bought Bay State to any extent; the hundreds of thousands of washed sales deceived nobody. Had the people bought all he had to sell the title would fairly have been

NATIONAL STUCK.

If the respectable element in Wall Street and the country would boycott the newspapers which admit Lawson's blind pool advertisements to their columns, we might be given a rest, and the on-and-off

champion of the people, the maker of wind billions, the System exterminator in name only, would be given a chance to exterminate himself. There isn't a newspaper editor in New York, Boston or anywhere else who does not harbor the deepest contempt for Lawson and his methods; but the advertising manager whispers, "Don't roast Lawson too much or we won't get the ads." So there you have a press which would not accept a blind pool ad from a little Wall Street swindler clutching for these full page displays which subsidize and silence them.

Lawson is not a "Power behind the market." He is a Jack o'Lantern, who stalks abroad in the night and frightens little Wall Street children into the spider nets he has spread for them. He is a financial cuttlefish, who surrounds himself with a sea of ink, then draws his deluded victims beneath the surface.

We should like to hear from anyone who has made money by following Lawson's advice, or who has sent him discretionary money and received even a fair run for it.

As for Lawson himself he would do well to derive a lesson from the fate of the *Thomas W. Lawson,* the sailing vessel which required more *wind* to move it than any other that was ever launched. This ship had many prosperous voyages, but there came a time when she could not be brought into port, even though *system* was used in her navigation. She capsized off the *Scilly* Islands last December.

Hasten the day when the Boston paranoiac will be found in a similar attitude —bottom up in an inky sea of his own creation.

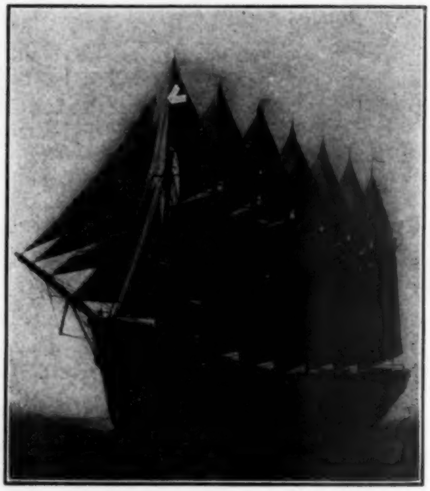
THE PUBLIC AS A POWER.

Taken as a whole, the American public resembles the elephant more than any other animal, owing to its size and the ease with which it is controlled when once brought into captivity.

If the elephant realized its power over the comparative dwarfs who guide it, manipulators of all altitudes would be systematically trampled under foot. Occasionally the public does break loose and nothing can stop its terrific onrush —the manipulators themselves are forced to stand aside until the movement has run its course. In other words, the outsider at times becomes the insider, and we have the spectacle of the so-called "big fellows" occupying grandstand seats while the public does the performing.

Prices of securities are made by public opinion plus manipulation.

There is no Power Behind the Market whose sway is absolute, whose commands are obeyed by the tape and to whom all must bend the knee.



The "Thomas W. Lawson" Required More Wind Than Any Other Vessel Afloat

THE POWERS BEHIND THE MARKETS ARE:

The rain, the sunshine, the frost and the insects which make or unmake the crops.

The gold, the copper, the coal and the iron which men dig from the bowels of the earth.

The state of the world's commerce and finances.

The wars between nations and our own political contests.

The Roosevelt Big Stick and the pinpricks of his imitators.

Bullets such as killed Garfield and McKinley.

The fires of hell which wrought the San Francisco disaster.

The Harriman who trades in a million shares and the millions who trade in ten shares—your order, the other fellow's and mine.

The investing public who furnish the funds with which to develop our transportation and industrial enterprises and our natural resources.

These and other numerous factors, with their infinite ramifications—like the rain drops, the brooks, lakes and streams which flow from a thousand hills, forming one great river—these are the powers which influence the mighty financial stream having its bed in Wall Street—a stream which is at times diverted in its natural course, but never for long—a stream without which there would be idle factories and grass grown streets throughout the land.

We must learn to judge the currents of this mighty stream; to keep in the channel, avoid the shoals and float along on its bosom until it brings us to the Ocean of Prosperity.

NOTE.—Rollo Tape's next series will be STUDIES IN TAPE READING, Commencing in the November issue.

A Stock Broker's Relation to His Client*

As Defined by the U. S. Supreme Court

THE Supreme Court of the United States has recently had occasion to examine into and legally define the relation which a stockbroker holds to his customer. The court, in an exhaustive opinion, determines that a stockbroker is not the owner of the shares of stock which he purchases and carries for his customer on margin, but is essentially, if not strictly as understood at common law, a pledgee, viz: one with whom the stock is pledged.

The court further decides that even when insolvent, a stockbroker who has pledged certain stocks with the consent of the customer for whom he was carrying them on margin, has the right to redeem such stocks from his loans and turn them over to such customer on demand.

Further, that the return of excessive margins by an insolvent stockbroker to a customer does not constitute a preference (forbidden by the bankruptcy act), where the customer had demanded settlement, and the sum paid over was taken into account in the settlement before turning over to the customer stock belonging to him.

In the case cited (Richardson vs. Shaw) it was understood and agreed that all securities carried in the account or deposited to secure the same might be carried in the broker's general loans and might be sold or bought at public or private sale, without notice, if the broker deemed such sale or purchase necessary for his protection. On the accounts rendered the following memorandum was printed: "It is understood and agreed that all securities carried in this account or deposited to secure the same may be carried in our general loans and may be sold or bought at public or private sale, without notice, when such sale or purchase is deemed necessary by us for our protection."

There has been much discussion upon this subject in the courts of the Union as

* From the *Banking Law Journal.*

to the relations of customer and broker under the circumstances disclosed in this record. The leading case, and one most frequently cited and followed, is Markham vs. Jaudon, 41 N. Y. 235,—a case which was argued by eminent counsel and held over a term for consideration. The opinion in the case is by Chief Judge Hunt, afterwards Mr. Justice Hunt of this court. He summarized the conclusions of the court as follows:

"The broker undertakes and agrees—

"1. At once to buy for the customer the stocks indicated.

"2. To advance all the money required for the purchase beyond the 10 per cent. furnished by the customer.

"3. To carry or hold such stocks for the benefit of the customer so long as the margin of 10 per cent. is kept good, or until notice is given by either party that the transaction must be closed. An appreciation in the value of the stocks is the gain of the customer, and not of the broker.

"4. At all times to have, in his name and under his control, ready for delivery, the shares purchased, or an equal amount of other shares of the same stock.

"5. To deliver such shares to the customer when required by him, upon the receipt of the advances and commissions accruing to the broker; or,

"6. To sell such shares, upon the order of the customer, upon payment of the like sums to him, and account to the customer for the proceeds of such sale.

"The customer undertakes—

"1. To pay a margin of 10 per cent. on the *current market value* of the shares.

"2. To keep good such margin according to the fluctuations of the market.

"3. To take the shares so purchased on his order whenever required by the broker, and to pay the difference between the percentage advanced by him and the amount paid therefor by the broker.

"The position of the broker is twofold. Upon the order of the customer he purchases the shares of stocks desired by him. This is a clear act of agency. To complete the purchase he advances from his own funds, for the benefit of the customer, 90 per cent. of the purchase money. Quite as clearly he does not, in this, act as an agent, but assumes a new position. He also holds or carries the stock for the benefit of the purchaser until a sale is made by the order of the purchaser or upon his own action. In thus holding or carrying he stands also upon a different ground from that of a broker or agent whose office is simply to buy and sell. To advance money for the purchase, and to hold and carry stocks, is not the act of a broker as such. In so doing he enters upon a new duty, obtains other rights, and is subject to additional responsibilities. * * * In my judgment the contract between the parties to this action was, in spirit and in effect, if not technically and in form, a contract of pledge."

Mr. Jones, in his Work on Pledges, summarizes the law as follows:

"The broker acts in a threefold relation: First, in purchasing the stock he is an agent; then, in advancing money for the purchase, he becomes a creditor; and finally, in holding the stock to secure the advances made, he becomes a pledgee of it. It does not matter that the actual possession of the stock was never in the customer. The form of a delivery of the stock to the customer, and a redelivery by him to the broker, would have constituted a strict, formal pledge. But this delivery and redelivery would leave the

parties in precisely the same situation they are in when, waiving this formality, the broker retains the certificates as security for the advances."

In Dos Passos on Stock-Brokers, the author says:

"Upon the whole, while it must be conceded that there are apparently some incongruous features in the relation, there seems to be neither difficulty nor hardship in holding that a stockbroker is a pledgee; for although it is true that he may advance all or the greater part of the money embraced in the speculation, if he acts honestly, faithfully, and prudently, the entire risk is upon the client. * * * To introduce a different rule would give opportunities for sharp practices and frauds, which the law should not invite."

The rule thus established by the courts of the State where such transactions are the most numerous, and which has long been adopted and generally followed as a settled rule of law, should not be lightly disturbed, and an examination of the cases and the principles upon which they rest leads us to the conclusion that in no just sense can the broker be held to be the owner of the shares of stock which he purchases and carries for his customer. While we recognize that the courts of Massachusetts have reached a different conclusion, and hold that the broker is the owner, carrying the shares upon a conditional contract of sale, and, while entertaining the greatest respect for the supreme judicial court of that State, we cannot accept its conclusion as to the relation of broker and customer under the circumstances developed in this case.

At the inception of the contract it is the customer who wishes to purchase stocks, and he procures the broker to buy on his account. As was said by Mr. Justice Bradley, speaking for the court in Galigher vs. Jones: "A broker is but an agent, and is bound to follow the directions of his principal, or give notice that he declines the agency."

The dividends on the securities belong to the customer. The customer pays interest upon the purchase price, and is credited with interest upon the margins deposited. He has the right at any time to withdraw his excess over 10 per cent. deposited as margin with the broker. Upon settlement of the account he receives the securities.

The risk of the venture is entirely upon the customer. He profits if it succeeds; he loses if it fails. The broker gets out of the transaction, when closed in accordance with the understanding of the parties, his commission and interest upon the advances, and nothing else.

It is objected to this view of the relation of customer and broker that the broker is not obliged to return the very stocks pledged, but might substitute other certificates for those received by him, and that this is inconsistent with ownership on the part of the customer, and shows a proprietary interest of the broker in the shares; but this contention loses sight of the fact that the certificate of shares of stock is not the property itself, it is but the evidence of property in the shares. The certificate, as the term implies, but certifies the ownership of the property and rights in the corporation represented by the number of shares named.

A certificate of the same number of shares, although printed upon different paper and bearing a different number, represents precisely the same kind and value of property as does another certificate for a like number of shares of stock in the same corporation. It is a misconception of the nature of the certificate to say that a return of a different certificate or the right to substitute one certificate for another is a material change in the property right held by the broker for the customer.

As was said by the Court of Appeals of New York: "One share of stock is not different in kind or value from every other share of the same issue and company. They are unlike distinct articles of personal property which differ in kind and value, such as a horse, wagon, or harness. The stock has no earmarks which distinguishes one share from another, so as to give it any additional value or importance; like grain of a uniform quality, one bushel is of the same kind and value as another."

Nor is the right to repledge inconsist-

ent with ownership of the stock in the customer. It was obtained in the present case by a contract specifically made, and did not affect the right of the customer, upon settlement of the accounts, to require of the broker the redemption of the shares and their return in kind.

It is true that the right to sell, for the broker's protection, presents more difficulty, and is one of the incongruities in the recognition of ownership in the customer; nevertheless it does not change the essential relations of the parties, and certainly does not convert the broker into what he never intended to be and for which he assumes no risk, and takes no responsibility in the purchase and carrying of shares of stock. The broker cannot be converted into an owner without a perversion of the understanding of the parties.

We reach the conclusion, therefore, that, although the broker may not be strictly a pledgee, as understood at common law, he is essentially a pledgee, and not the owner of the stock, and turning it over upon demand to the customer does not create the relation of a preferred creditor, within the meaning of the bankrupt law.

We cannot consent to the contention that the insolvency of the broker at once converts every customer having the right to demand pledged stocks, into a creditor who becomes a preferred creditor when the contract with him is kept and the stocks are redeemed and turned over to him.

In the absence of fraud or preferential transfer to a creditor the broker has a right to continue to use his estate for the redemption of the pledged stocks. As this court has said:

"There is nothing in the bankrupt act, either in its language or object, which prevents an insolvent from dealing with his property, selling or exchanging it for other property at any time before proceedings in bankruptcy are taken by or against him, provided such dealings be conducted without any purpose to defraud or delay his creditors or give preference to anyone, and does not impair the value of his estate. An insolvent is not bound, in the misfortune of his insolvency, to abandon all dealing with his property; his creditors can only complain if he waste his estate or give preference in its disposition to one over another. His dealing will stand if it leave his estate in as good plight and condition as previously."

One Way of Choosing Your Stock

Speaking of speculative methods there's a good story by "The Major" in George Lorimer's new book, "Jack Spurlock-Prodigal." Here it is:

"One mo'nin', twenty years ago, suh, I was standin' in Hi Bufort's bucket-shop in Memphis, when my friend, Col'nel Sampson walked in. The Col'nel had a regrettable habit of imbibin' quite freely in the evenin' and then of beginnin' again next mo'nin', befo' his better natchah had had an opportunity to assert itself. So he never really caught up with himself.

"Well, suh, he was feelin' pretty tol'ably comf'table this mo'nin'; in fact, while he could navigate successfully, fo' he never lost control of his members, he could only just stuttah, and he saw double. Remarkable illustration of the compensations of natchah, suh, that when a man loses the power of speech he can see twice as much.

"Well, suh, the Col'nel walked up to the boa'd; tried to make out the quotations; couldn't; spread his legs apart; took deliberate aim and expectorated at the list of stocks. A very ungen'manly trick, suh, I grant you; but perhaps a justifiable stratagem under the circumstances. Then he pointed to the spot on the boa'd—he had hit the L. & N. quotation, if I remember rightly—and called out: 'Here, you, Hi, buy me thousan' shash of thash!' and by Geo'ge, suh, that stock never *did* stop goin' up. Made his everlastin' fo'tune fo' him."

How a Pool Operates

Process by Which a Large Block of Stock is Marketed

THE following interview with an operator who handled many large "deals" for Stock Exchange pools throws interesting light on the machinery of a "pool" in stocks.

"It is only fair to say that the public rarely sees value until it is most markedly demonstrated to them, and the demonstration comes generally at a pretty high price. It is easier for them, as experience shows, to believe a stock is cheap when it is relatively dear, than to believe it is cheap when it is more than cheap. A Stock Exchange operator or group of operators decides, we will say, that certain stock is selling cheap—that is, below value. Value means, in Stock Exchange speculation, intrinsic value, plus future value plus the additonal Stock Exchange value. A large bidder of the stock begins by going around to other large holders. Ownership is counted, and the outstanding stock in public hands fairly estimated.

"The first necessary detail is to 'tie up' in a pool these known holdings, in order to prevent realizing sales by larger interests. If such large holdings cannot be kept off the market, hands are joined in certain directions, and a long and patiently worked-out plan of accumulating the stock at low prices, before tying it up, is devised. This takes the form of manipulation within a certain range of prices. It may be assisted by natural stock-market conditions, which encourage sales by outsiders at a sacrifice. Frequently persistent attacks on the stock by the people who wish to buy it are undertaken, which bring out miscellaneous public holdings, and which, if carried sufficiently far, dislodge even important inside holdings. To accomplish the decline, matched orders are frequently used, whereby the pool really sells to itself. Large offerings of the stock are also continually placed on the floor with no takers, resulting in the gradual lowering of commission-house selling limits, and the securing of cheap stock thereby.

"The question of borrowing money is important. A pool can rarely do the whole thing with its own capital. It is assumed that the money-market outlook favors a stable condition, for it is idle to suppose that such operations would be conceived were conditions pointing otherwise. Money brokers have, of course, been employed by the house handling the pool, to borrow from the banks large amounts of time and short-time call money, termed 'special loans,' on which the collateral is largely to be the security in question, and on which loans a liberal rate is paid and liberal margins given.

"The 'publicity department' must also have been covered. Practically all important pool operators keep on hand this appendage to their work. The 'gossip' affecting the stock must be printed, and this department is systematized to a degree few suspect. It is generally in charge of a man intimately connected with newspaper channels, covering every important city, if need be, and this person receives a large compensation for the duty performed of distributing for circulation, when the managers of the pool see fit, items of news and gossip affecting the stock. The 'insiders' being in the pool, every item of news is carefully bottled up, and distributed only at what is thought to be the right time. The need for this will be apparent when it is observed that explanation must be made for advances and excuse for declines in all manipulated stocks. The fact that insiders and the pool own the news, so to speak, and can thus discount its effect

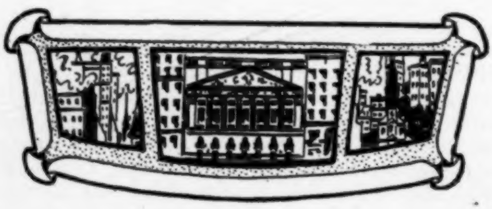
ahead of those who get it through 'publicity' channels, involves a moral point of view which has often been the subject of Wall Street discussion.

"The machinery of Stock Exchange works varies little. Orders are given to different sets of brokers from time to time to buy the stock, sometimes carefully and quietly, sometimes by openly and aggressively bidding for it, and vice-versa on the selling side. Rarely is one broker alone allowed to remain conspicuous on either side for any considerable length of time. All these transactions are 'cleared' by the brokers filling the orders; that is, instead of 'giving up' the names of their principals in the trades, they take in and deliver the stocks themselves, and then receive and deliver them from and to their principals.

"Market conditions now being favorable to the 'deal,' and emission of favorable news facts having resulted in public interest, the commission-house broker, who represents the 'public,' begins to be in receipt of many requests for opinion on the stock made active. The commission-house broker is a pretty good judge of the situation generally, and has spent his life studying values and watching manipulation. He thus assists in the operations by advising purchase. As a general rule, the advice falls flat, and few orders come out of it. But the pool continues; they are at present really buying stock and selling little. Some of these are actual trades, some are matched orders, but it is impossible, even for the brokers in the crowd, to tell which of such orders they may be. The result, however, is a marked stimulation of public interest, and commission-house buying orders begin. More news is published, and the deal becomes public talk.

"When this condition is created, the stock is up several points, and the pool begins to figure on selling. The machinery of the publicity department is then worked to its utmost extent, and the following morning finds a general demand for the stock from all commission houses. This is the time when a 'widespread' opening is figured on. Orders by the thousands are put in on the selling side, distributed to many brokers, with, of course, some buying orders also put in to a limited degree to 'take it as offered' at the opening. The 'high opening' is effected, and stock sold by balance sufficient to warrant pool support and renewed buying, after the overnight public orders have been filled. Then follows bold, aggressive buying by the pool in large quantities, aided by matched selling orders, and the volume of the business done attracts attention everywhere, and leads to absorption by the public.

"Given favorable conditions, the public buying thenceforward controls the market, and the pool places only 'supporting' orders in the stock from time to time, when outside interest flags. This public buying will continue until it has carried the price so much beyond value that the pool can afford to liquidate freely. From then on, the operation proceeds to its profitable close, the various official, semi-official, and 'inside' announcements of news and suggestions covering the outlook in the immediate and near future—affecting the value of the stock, dividends to be paid, bond conversions, new alliances, consolidations—are the only necessary machinery."



The Chicago Board of Trade

How It Helps the Farmer, Grain Dealer and Shipper

CHICAGO'S supremacy as a grain market is undisputed. It is, as the founders of the Board of Trade foresaw that it would be, the gateway through which the grain of the greatest cereal growing area in the world passes to the consumer here and across the sea. More than 60,000 miles of railway tap the grain belt and bring the produce, by easy grades, to the many trunk lines running to the seaboard and to the docks of the seventh port in the world. At this first of primary markets there is storage capacity to receive and properly care for more than 63,000,000 bushels of grain; and ample facilities for the drying and purification of cereals which otherwise must be lost to the producer or marketed at a considerable sacrifice. These and other advantages, notably the splendid transfer facilities of the city, low in the out freight rates, and commodity trading, have firmly established Chicago at the head of the list of the world's grain markets.

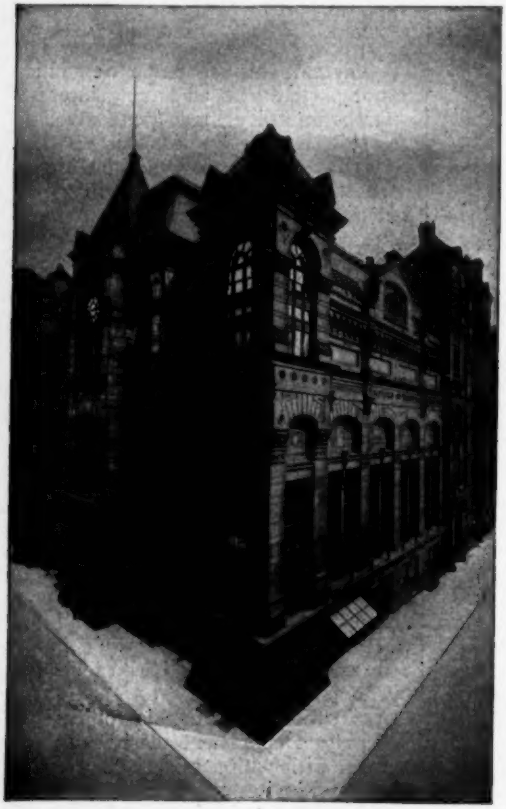
To convey an idea of the magnitude of the business centering here, it may be said that in a single year Chicago has handled 500,000,000 bushels of grain, nearly 300,000 tons of hay, 16,000,000 head of live stock, 270,000,000 pounds of butter, 90,000,000 pounds of cheese, nearly 500,000,000 pounds of lard, including receipts and shipments, and about 2,500,000,000 pounds of meats cured and other, received and shipped. No more eloquent praise of the transportation, storage, and exchange facilities of Chicago could possibly be given than is contained in these vast totals.

Mention has been made of the superb system of inspection and grading introduced by the Board of Trade early in its existence. Of hardly less importance is the Department of Weighing and Supervision, organized and perfected for the mutual protection of the shipper and of the receiver of grain consignments. The good offices of this department, extended without partiality to all having interests in our grain trade, have done much to increase the prestige of this market. Every car of grain consigned to Chicago within the jurisdiction of the Board of Trade is the special care of the Weighmaster or his deputies. The condition of the car is noted, the scale on which it is to be weighed is checked, when the car is unloaded measures are taken to prevent any waste or diversion of grain in handling, and a full report of the supervision and weighing is filed for use in case the shipper fancies himself wronged in the accounting. Beyond this, the Weighing Department endeavors in all ways to instruct shippers how to load cars so as to avoid loss by theft, leakage, or damage in transit; how to install and adjust scales; how to determine the density of grain; how to proceed in case of loss or damage for which the carrier is liable; and, in general, it labors in all possible ways to make the grain shipping business advantageous alike to seller and buyer.

In furtherance of this object the Weighing Department desires to cooperate with shippers at all elevator points, and invites consignors of grain to send in reports covering weights, conditions of loading, cooperage, and car maintenance, with precise details as to car numbers, consignees, etc., so that differences which may arise at destination may be satisfactorily settled.

Ever since commercial exchanges were devised for the distribution of commodities at fair prices to both buyer and seller, there has been misapprehension about transactions for future delivery. No feature of the business of the Board of Trade is as little understood as this. The

reader will gain a clear idea of the necessity of buying or selling grain or produce for future delivery, when he reflects that the entire amount of money in circulation in the United States at the present time would be insufficient to transfer the wheat and corn crops from the hands of the farmers to the bins of the consumers here and abroad, if it were not possible to distribute the task over the crop year. The farmer must realize on his grain as soon as possible after it is harvested, but the grain is not needed for immediate use and it must be carried in store until it is needed for food. The selling of a crop for delivery at different dates in futurity enables the farmer to realize at once on the toil of the summer, and places in his hands the ready cash he needs to pay his help, his local storekeeper, the interest on his borrowed capital, and to improve his farm for next year's tillage.



The Chicago Board of Trade

Of course grain which is not deliverable until December cannot appear in the visible supply at primary markets in July, and that is all the basis there is for the complaints sometimes made that the Board of Trade deals in grain which it never sees. As a matter of fact, every bushel of grain which is bought or sold on the Board is actually deliverable on maturity of the contract. If one wants wheat he may pay for it and it will be delivered to him out of an elevator. There is no fiction about such a trade. Behind every transaction there is somewhere a warehouse receipt representing an equivalent quantity of actual grain of a certain contract quality.

There is much misapprehension, also, about the class of traders known as "hedges." Suppose that a miller from Glasgow is in San Francisco and buys 100,000 bushels of wheat for shipment to Glasgow. San Francisco is four or five months distant by voyage from Glasgow, so in order to protect himself, to avoid speculation, this miller sells 100,000 bushels of wheat on the Board of Trade at about the same price that he paid in San Francisco. He does it in order to avoid the risk of changes in the market during the time that his grain is in transit. When the wheat arrives in Glasgow, if the market has declined, his sale in Chicago makes up the loss. On the other hand, if the market advances, the sale in Chicago at the lower price equalizes the transaction, so he can sell the flour on the basis of the price at which he bought it in San Francisco.

Multiply this incident by thousands, and we have an explanation of how it is possible for hundreds of thousands of bushels of wheat to be sold on the Board of Trade in Chicago which are not necessarily delivered here. The transactions on that Board stand not for local transactions merely, but for transactions all

over the world. They depend not merely on the amount of grain here, but on the world's supply of grain. Transactions on the Board are in relation to the supply and demand of the world for breadstuffs. If the farmer could not sell for future delivery, he would have to suffer.

The public has never fully comprehended the theory which underlies trading on the "short" side of the market. A trader sells grain which he does not actually possess, and contracts to deliver it at a future time. Necessarily such a transaction must be equated by a purchase of an equivalent quantity before the time of delivery. Though "short" trading is sometimes called "fictitious" it is by no means different from the practices which prevail in every business. A United States silver certificate is not metal, but it represents a quantity of specie in the Treasury equal to its face value. The "short" sale may not at this moment be represented by grain actually on hand in Chicago; but the grain is on hand in some of the world's markets, and in due time the seller will make a delivery, that is to say, give the buyer a warehouse receipt calling for the actual grain. In essence the transaction is the same as a dairyman's contract to supply butter or milk for the coming year. He cannot have on hand now the whole quantity sold, but he will obtain it from time to time as needed to meet his contract.

Short selling is merely one of the devices whereby a fair and just relation is preserved between the present price level and the probable price level at a future time. It is a device by which world conditions are made effective against local and transitory conditions. Instead of being a fictitious transaction it is in fact a means of combating an artificial, or abnormal, situation which is temporarily raising prices above their legitimate level.

Any attempt by speculators to manipulate prices on the Exchange cannot and does not nullify the law of supply and demand. What it does is to bring into vivid relief two opposing opinions regarding supply and demand, present and prospective, local and general. It furnishes that free and fair contest of belief and judgment out of which finally emerges a true and valid estimate of value. The law of supply and demand is supreme. The speculator who governs his action in accordance with it reaps a profit. The man who ignores it suffers loss. Between the two the producer gains a fair price for his harvests.

Speculation is inseparable from every business which deals in any way with the future needs and wants of mankind. It is the arena in which human commercial judgments are tried out. It is not desirable that speculation should be crushed, nor is it possible to stop it. All that is essential is that the facts involved be placed at the disposal of buyers and sellers, and that strict justice and honor shall prevail in the performance of trading contracts. As we have seen, the Board of Trade of the City of Chicago was organized to carry out these objects.

In order to bring about this latter object, committees of arbitration and appeal have been formed, who hear and settle controversies arising between the members. These committees afford an inexpensive and equitable means of settling disputes by those particularly well fitted to judge such questions. The findings of these committees are recognized by the courts themselves, and the litigants do not have to refer their controversies to a jury made up of men selected at random from those not especially fitted by training or education to deal with such cases. These disputes are judged by experts. And in view of the enormous volume of transactions, the cases of controversy are remarkably few. When it is remembered that the actual grain receipts are 300,000,000 bushels, and the stock receipts 16,000,000 head, the possibility for misunderstandings will be apparent. It is a well-known fact that few controversies arise because of the fair and equitable attitude of the members toward each other. They recognize the fact that conditions will arise in which neither party can be perfectly sure that he is right, and the members show themselves willing to go half-way in the settlement of such misunderstandings. Charity and common sense are exercised by the members in a rare spirit of generosity, conceding to the other side all advantage of a reasonable doubt.

From its inception in the minds of its founders, the Board of Trade has always stood like a rock for commercial integrity, honor, and equity. In opposition to these fundamental principles and policies there grew up a system of pure and simple gambling known as "bucket-shopping," devoid of all of the just restraints of legitimate speculative dealing in commodities, and neither contemplating nor effecting actual bona fide transfers of the property bought and sold. Against this system with all its attendant evils the Chicago Board of Trade early began to wage a relentless warfare.

A Bucket Shop is a pretense. It pretends to transact business, when in fact it exercises no commercial function and is devoid of every commercial feature; it is a deliberately premeditated, organized fraud. It charges for a service when no service is performed; it merely weaves its web and watches for its victims. It is a gambling contrivance pure and simple. It is thoroughly demoralizing to industrial and mercantile life; it pollutes everything it touches and taints everybody with whom it is in any manner identified. It is insidiously pernicious and undermining, and is at war with every legitimate industry and every principle of mercantile life. It is a scheme for betting upon quotations under the flimsy guise of commercial transactions. A Bucket Shop takes one side of the bet and its customer the other side. If the customer wins, the Bucket Shop must lose. If the Bucket Shop makes money, it must follow that the customers lose money. To put it in another way, it is for the interst of the Bucket Shop proprietor that his customers lose money. It is for the interest of legitimate merchants that their customers make money. The profits of the Bucket Shop are derived from the losses of their infatuated customers. The impoverishment of their customers means the wealth of the Bucket Shop; and yet, strange to say, knowing this, their patrons eagerly enter the unequal contest. The Bucket Shop bears the same relation to legitimate commercial bodies that a counterfeit bears to a genuine bill. In contradistinction from the Bucket Shop, stand legitimate boards of trade.

The primary function of boards of trade is to bring the buyer and seller together in the interest of fairness and equity; to facilitate the marketing of products and merchandise, providing for their distribution in different sections of the country and in different parts of the world. Boards of trade are not established in the interest of the buyer, exclusively, or the seller, exclusively, but in the interest of the buyer, the seller, the producer, and the consumer, alike. Their transactions are bona fide commercial transactions, and are based and conditioned upon the legal delivery of the commodities dealt in. They have no private interests to promote; they gather information, statistical and otherwise, for the benefit of all concerned; they are exclusively and emphatically identified with the public welfare; they legislate not for one community, nor one State, nor one country, but for a world-wide commerce. They inculcate principles of honor and justice in trade, promote uniformity in the customs and usages of merchants, and secure to their members the benefits of co-operation in the furtherance of their legitimate pursuits.

The visitor sitting in the gallery of Exchange Hall during a flurry in the grain pits on the floor rarely fails to express wonder that there can be any orderly and certain transaction of business in such hurly-burly. But the trader in the middle of the excited throng sees in the turmoil only the fierce determination of his fellows to buy at the cheapest, or to sell at the highest possible price. As to the intentions of any man in the pit at that moment the practiced trader has no doubt whatever. Articulate speech is not only impossible, under such conditions, but useless. The eye is quicker than the ear; and the signals given with the hand or by a gesture of the head means as much as a telegram to the person addressed. Rarely does a mistake occur in this sign-language trading.

The sign-manual of the pit trader is simplicity itself, and with a very little practice anyone can become adept at it; but it calls for natural aptitude to be a master of the strategy and generalship demanded of a good broker. Wheat having sold at 90 cents, for instance, a trad-

er catches the eye of someone opposite in the pit who has 50,000 bushels to sell, and partly by telepathy, partly by a motion of the clenched fist, signals that he will take the "50 wheat" at 90. The seller, in reply, holds up his right hand with the index finger extended horizontally, indicating that he wants 90⅛ cents. The buyer motions acceptance and signals back "⅛." The two traders note on their cards "Sold 50 at ⅛ Jones" and "Bot 50 at ⅛ Smith." After they leave the pit they meet and check the operation.

The hand being held horizontally, the clenched fist indicates the price in even cents. Each finger represents an added eighth of a cent up to five-eighths; the extended hand with the fingers close together means three-quarters, and the thumb only signals seven-eighths. But the whole hand displayed vertically means 25,000 bushels, each finger counting 5,000 bushels; whether offered or being bid for, is shown by a slight motion of the hand to or from the trader making the signal. The official reporter stationed in each pit sees all the signaling, and partly by observation and partly on information given him by the traders, notes the latest price and gives it to a telegraph operator at his side to be "put on the ticker." Thus the price of grain is made every moment of the session and transmitted to all the markets of the world.

So intimately associated with the business of the Board of Trade is the live stock industry of Chicago that mention must be made of the Union Stock Yards and the Chicago Live Stock Exchange, organized on a declaration of principles almost identical with that of the Board of Trade. There is in the whole world no more stupendous industrial mechanism than that which centers at the "Yards." The equipment for the speedy and economical handling of millions of head of stock includes 500 acres of land, nearly all of it floored, with 13,000 pens for stock, 25,000 gates for their distribution, 300 miles of railway track, and 25 miles of streets. Besides, there is an immense Exchange Building for the housing of commission merchants, about 200 buyers always in attendance ready to pay spot cash for cattle, sheep, and hogs; a large and modern hotel for the accommodation of cattlemen, ample banking facilities, and a mass of customs and regulations for the full protection of the rights and interests of all having business to transact. With its own independent water supply, sewer system, and

The Pit

police equipment the Stock Yards is a veritable city, doing an annual business estimated to exceed $1,000,000,000.

The foundation of this cattle market forty years ago arose from the same causes which in 1848 led to the organization of the Board of Trade. To the west of us lay immense grazing regions suitable for the feeding of cattle, and the corn belt with its surplus yield which needed to be converted into pork for its economical distribution to consumers. With unequaled transportation facilities at command, it was evident that Chicago needed but to provide adequate receiving and handling facilities to build up the greatest live stock market in the world.

The Stock Yards Company as such does not buy or sell a head of stock. Its function is to provide facilities for the proper care of consignments, supplies of feed at reasonable prices, pens where the stock may be safely held for the inspection of buyers, and strict rules covering the weighing, inspection, and conditioning of animals received for sale. Above all, the purpose of the organization is to provide a free and fair market in which supply and demand may have due weight in fixing prices. Everything is done on a strictly cash basis, and nothing savoring of trickery or sharp practice can exist for a moment.

It is sometimes complained that consignments of live stock arriving in Chicago do not find ready sale, subjecting the shipper to losses by shrinkage, terminal feeding cost, and pen charges, until the market will take the stock, at the price desired by the owner. There is no denying that an excessive run of cattle or hogs may glut the market and lead to a temporary depression of prices, compelling sellers to wait for a readjustment of values; but this is one of the incidents of a free market ruled by supply and demand. The Stock Yards Company makes every effort to provide the cattle interests with exact and general information on every point which is likely to modify prices. It makes this information available to the general public through the press and as far as possible seeks to further the interests of all concerned in the live stock trade. All things considered, it is doubtful whether the business could be better conducted or with less cause for complaint.

The Stock Yards Industries and the Board of Trade have always been very closely connected. The Live Stock is marketed at the Yards and the finished product in the form of meats and lard is sold to a very large extent on the Board of Trade. It is on the floor of the Exchange that the packers meet brokers who buy provisions for both domestic and foreign distributors. A very large business is transacted both for prompt shipment and future delivery. The value and necessity for trading for future delivery in meats and lard will be appreciated when it is pointed out that during certain seasons of the year the receipts of stock, particularly of hogs, are much in excess of the current demand for fresh meats, which consequently must be cured and held in cold storage until the consumptive demand overtakes the supply. At such times it is the custom of the packers to protect themselves by selling for future delivery, either to merchants who are anticipating their requirements or to speculative investors. The packer is by this means able to pay the producer a better price for his stock than would be the case if there was no such market for future delivery.

A Specialist in Panics

How a Small Trader Built Up a Fortune by Operating in Steel Common

Continued from the September Issue

NINETEEN hundred and six, you will remember, was the year of the San Francisco earthquake.

Things were going along nicely in the business world; the stock market in general, and Steel Common in particular, were doing well by me. Steel worked up to around 46 early in the year and I was watching along through the winter for a chance to get in some more fine work in the shape of a stop on 200 shares at 45. Three hundred and fifty per cent profit looked good, especially when added to the bunch of money already made and tucked away, and considering the third lot of two hundred shares on which I hoped to get a still larger profit.

But Steel didn't go high enough to warrant the placing of my stop—at least not just then, for one morning we woke up to learn that an earthquake and fire was raging in San Francisco and that property worth hundreds of millions was being wiped out.

The effect of this catastrophe was the same as if a crop failure or some other appalling disaster had occurred. The nation's finances were crippled; insurance companies would be forced to liquidate, this would depress the security markets and there was no telling how low prices might go.

It was easy to reason this out after the full effects of the disaster were known, but by that time things were way down. My policy wouldn't let me sell when the market was weak. I had graduated from that class of traders. So all I could do was sit still and see things slump away.

It wasn't what you could call a panic; it was one of those ten or twenty point declines that come along every now and then, shaking out weakly margined people, and badly scaring those provided with big margins.

I planned to buy back the 200 Steel already sold, provided it could be had somewhere around single figures. The 400 shares on hand didn't worry me; I was on such thick velvet that *nothing* could shake me out.

Well, Steel didn't even touch 30 this time, and after making its low point in July, began to improve with the rest of the list. Then as we were again approaching prices which seemed to interest me, I carefully looked the ground over to see how underlying conditions stood—whether we were facing a rally in bear market or were on the verge of a fresh advance.

I remember going over a lot of statistics, studying the situation carefully, and finding Money the factor which overshadowed everything else.

Money was scarce the world over. The supply in all countries was far below the demand. Jacob H. Schiff had sounded a warning to our own people that unless a more elastic currency was provided we would experience a serious money panic. Foreign wars and disaster such as occurred in Baltimore and San Francisco had robbed the business world of over two billion dollars in liquid capital—equal to four times that amount of credit. This was a gigantic crimp in the world's bank roll, and in the face of this situation every industry and everyone's personal commitments were expanded to the bursting point.

The summer and fall were marked by two incidents which proved to me that the insiders wanted to get out: Union Pacific and Southern Pacific were put on a 10% and a 5% basis; Steel common resumed the payment of dividends at the rate of 2%.

If I hadn't known another thing about the situation these would have been sufficient. With such astounding liberality on the part of insiders who had been load-

ing up with the goods for months back, any child could guess what *they* were doing now that the cat was out of the bag.

Steel worked well above 45, by the time I had decided upon a course of action, so I put in a stop at that figure on 400 shares, saying to myself: "I won't let it get away from me this time."

I determined to sell 200 shares at 50 if it touched there and 200 more at 55, with a stop at 50 in case it reached up near the high mark I had set.

I finally got rid of the 50 kind. I immediately raised my stop on the remaining 200 to 47½. On a subsequent setback that stop was caught. It never went to 55 after that, but I had no kick coming, for my record in round figures stood as follows:

Panic No. 1.—	Capital.........	$1,400
	Profits.........	1,100
Panic No. 2.—	Capital (new)..	3,550
	Profits.........	21,450
		$27,500

Although I had spent months and years seeing this pile accumulate, I wasn't quite sure of being all this ahead of the game until I put the last check for nearly $9,500 in the trust company and had my book balanced. Even then, like the Kentucky Colonel, "I thought I'd better have my eyes treated."

Ever since I bought the 600 Steel around 10, I had gone right on saving money. Guess I'd formed the habit and it was hard to break. My salary had increased and my savings were not in the same ratio as when my campaign was begun; but I managed to put by something over $1,000 a year, in spite of the fact that a couple of kids had been added to the family roster. We were enjoying occasional trips, and living better, but not extravagantly.

One of my ambitions was to buy my own home—a place in the country where the youngsters could grow up sound and healthy, and where, when my pile grew big enough, I could get a rest from the city's roar.

We had been looking around to find a locality which suited and grew rather fond of a certain section in Jersey. In fact, we were about to start out with serious intentions of finding a place suited to our requirements, when the thought struck me, "Why not buy real estate during a panic instead of now, while it is booming?"

Why not, indeed? The same principle applies to real estate, business—everything. Buy when nobody else wants it; *that's* the time.

I modified my plan of financing in this respect: The original capital used in my first two deals, together with the profits accrued, $27,500, in all, I decided to use solely for stock market purposes. All savings and other cash available were to be set aside for the purchase of a little country place.

For the latter purpose there was now available about $3,500, which would have a chance to grow some by the time a panic arrived. My intent was to purchase a place worth $10,000 or $12,000, paying what I could down and using future savings to liquidate the balance.

So I patiently awaited Panic No. 3, realizing that a few more turns such as I had made would put me where I could bid good-bye to the job with its worrysome routine.

The financial situation began to grow very rocky early in 1907. The stock market needle pointed unmistakably down. I went the rounds of my financial acquaintances and found that the technical situation was weak; that the big fellows were getting out just as fast as the market would take their stocks. One friend who was employed by a banking house of international reputation told me of certificates representing 25,000 and 50,000 shares of long stock which were being split up into 100 share lots and delivered all over the street. The big fellows were getting out!

The market looked the part. It had no rallying power whatever. Every time the quotations held their head up some one seemed to spill stocks by the cartload.

This was freely commented upon, but every one didn't draw the same conclusions. I figured that this quiet unloading of tremendous blocks meant serious trouble to come—no ten or twenty point break this time, but a sure enough panic

of the kind I was looking and hoping for.

It was my intention to stick to Steel common. It had served me well; it was still a comparatively low priced stock, and my judgment of its future had been strengthened by developments since the panic of 1903.

The corporation now had a surplus somewhere around $100,000,000, was making liberal allowance for repairs and depreciation, building a new plant out of its earnings besides paying dividends of 2% on the common stock. The past three years had put the colossal concern in an exceptionally strong position, so that hard times would affect its earnings, but could not cripple it henceforth. Furthermore, I seriously considered whether the next panic would not be the last in which the stock could ever be bought at these low figures.

This thought raised in my mind the question whether I would not make more money by buying as much as possible at the next favorable opportunity and "sitting on it" till it soared way up in the clouds. For instance, if I could buy 1,000 shares and it should go to par, my stock would be worth $100,000, and if, in time it paid 4, 6 or 10% dividends, that would be, $4,000, $6,000 or $10,000 a year!

I cogitated a long while over this proposition and finally concluded I was not only getting away from my game by entertaining such ideas, but was counting my chickens before they were hatched.

Whatever happened I was going to buy all the Steel common I could pay for and they could bring around the panic wagon just as soon as they liked.

By February of that year (1907) Union Pacific, leader in the bull campaign, was down 25 points or more from its highest; Reading was off 40 points, and Steel had touched 42¾. The following month, as we all remember, prices of the high priced leaders were cut and slashed till things began to look panicky. Then I put in the following orders:

Buy 100 Steel common @ 30⅛, and 100 more every two points down as far as it goes. Order good till canceled.

I had nothing to tell me where Steel would stand when the panic began or how low it would sell, so I used my old rule, which in this case seemed to say: If it don't go to 30 and below there will have been no panic, and if there's no panic I don't wan't to buy.

Well, it's useless to repeat what happened during the March panic, when Union Pacific broke one fine day to 124, Reading close to 90, and everything else in proportion, except Steel, which was unkind enough not to reach even my first figure.

I was in my broker's office when the crash was at its height, and felt sure I'd get *some* of the coveted hundred share lots at my prices.

While watching the ticker I accidentally overheard the clerk at the board telephone call back a report which he had just received:

"Bought a thousand, two and a quarter. Have you got the 32 lot yet?"

I smelt a scale order in Steel for some one else, and knowing the caliber of some of the big clients who dealt there, called aside one of the clerks, whom I knew, and said:

"It sounds to me as though you had quite an order there. Of course, I don't want to know who your client is, but you might say whether it's any one who knows what's going on over at ——," and I looked sideways and pointed with my thumb.

He knew what I meant and his reply was a wink and a nod.

"When did they start buying and how far down are your orders?"

Before he could reply he was called away to the phone. Returning in a few moments he whispered:

"Began to-day. They run down to 25; but don't gamble on it—they might be changed or canceled any minute."

"Thank *you,*" said I, "and if I can ever do you a favor let me know."

Whoever gave the order was no piker, for 1,000 shares every ¼ point down to 25 meant 30,000 to 40,000 shares in all.

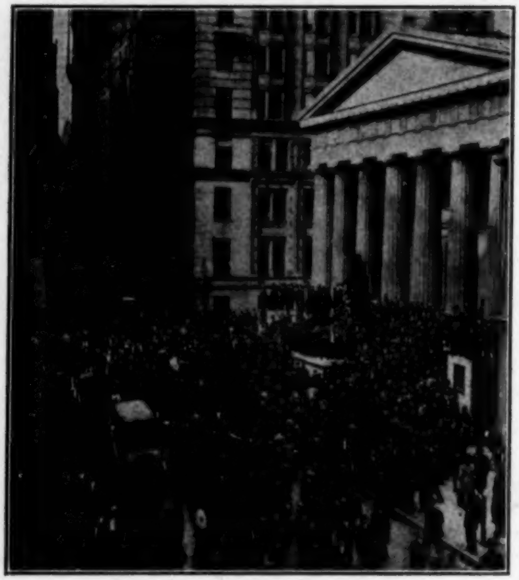
Unconsciously I had been trying to buy with the insiders again—proving further that my method was sound.

But however much my bed-fellow was able to buy, I did not get a single share. This worried me for a while, until I saw how the market acted on the rally—

stocks were still for sale in quantity. Further confirmation of the still unsound condition of affairs was obtained from a friend, an officer in one of the largest banks in the city.

I went to him complaining that the panic had evidently gone by and left me without a share.

"Don't worry," said he, "it isn't over yet. There are some very rotten spots in the banking situation. These must be cleaned up before things can get back to normal again."



Wall Street During the Late Panic

Steel rallied several points, broke to the low point, then rallied again. This time it appeared weaker than some of the others. I let my scale order stand, seeing no reason to change it, and along in August had the satisfaction of receiving the following report from my broker:

BOUGHT 100 STEEL COMMON 30⅛.

The heavy liquidation continued. Bears were having things their own way. Prices in many cases slumped off below the March low levels. Banks began to close up; money sold at a premium and by September I had added one more lot to my line.

BOUGHT 100 STEEL COMMON 28⅛, making 200 shares in all.

Then, during the dark days of the real panic, when Wall Street was filled from curb to curb with an excited mob; when the Knickerbocker Trust Co. had failed and the line in front of the Trust Company of America extended around the corner; when every one else was hoarding his money, *then, and not until then,* did I realize that my time had come again—that Panic No. 3 had arrived!

Having received these reports from my brokers:

BOUGHT 100 STEEL COMMON @ 26⅛—BOUGHT 100 STEEL COMMON @ 24⅛,

I figured up that I had spent $10,900, my unexpended balance amounting to over $16,000.

Steel had sold down to around 22 and was now coming out on the tape in wads—3,000 23¾.. 1,000 ⅞..2,500 ¾..⅞..

It was the psychological moment, and without the slightest hesitation I put in an order to buy 700 shares more at the market, canceling the previous order.

In a few minutes I had my report,

BOUGHT 700 STEEL COMMON @ 22⅞,

giving me 1,100 shares in all at an average net cost of about 24½, including commissions.

I was "in right" again! By the grace of Morgan and Cortelyou the tide was turned within a few days and it seems as though Steel has never since stopped going up.

At this writing it stands at 47, and my paper profits on this deal so far amount to nearly $25,000.

I could sell out my 1,100 shares to-day and realize $51,700.

The capital used in the three operations totaled less than $5,000.

Dividends on the 1,100 shares amount to $2,200 per annum. If this rate is doubled, as I expect it will be next year, it will pay me $4,400.

But I am not looking for dividends so much as a chance to sell out in the next boom, when *everybody* wants to buy. And I might say that the figure I have in mind is far above 55. Four per cent. dividends should warrant a price of 75, and if they don't tinker too much with the tariff next year Steel will surely get there on the next reach up.

The Corporation is steadily strengthening its position. In the last few years its big accomplishments are:

THE GREAT NORTHERN ORE CONTRACT.
THE NEW GIANT PLANT AT GARY.
ACQUISITION OF THE TENNESSEE COAL & IRON CO.
PILING UP OF AN ENORMOUS SURPLUS.

As Dave Warfield used to say: "I'm ashamed to tell you" how high I think Steel will eventually go, and were I an investor I should never part with my present holdings. But as you can see, my plan pays me better than straight investment and patient waiting for profits.

I cannot tell what my ultimate profit will be on my present line. Prices are now up, but I don't call this a boom. Most of the public who bought in the panic sold out long ago. Insiders who know what future conditions will be are now engaged in marking up prices. Investors and speculators who got out at the lower levels will come in strong when prices are twenty or thirty points higher —when the market seems irresistible. *At that time I shall sell,* especially if insiders are showing me why I should buy.

There will be plenty of time in which to get out, as those who have the big lines must go through a lot of motions before they can unload. This they cannot do without giving away their hand. When the hand appears I'll be there with an order to sell or a stop to save most of my profits.

It will take only one or two more panics to put me where I needn't worry much about business, Steel or anything else.

I want to say, too, that buying in panics is a good plan to operate on in real estate as well as stocks. After the November collapse last year I bought a little ten acre place over in Jersey, an hour from the office. The former owner put nearly $30,000 into it altogether, but was caught in the money stringency and forced to the wall. It cost me $14,000, and I have since been offered $18,000 for it.

So it seems that others might profit by my experience and become such as I—

A SPECIALIST IN PANICS.

Pointers From the Above Instalment of the Story

If you know how to use a stop, don't worry about profits getting away.

A San Francisco disaster means an opportunity to secure bargains.

The big swings of the market cast their shadows before.

It is well to know whether it's a rally in a bear market or a bulge in a bull market.

The individual, the nation and the whole world is frequently short of ready money.

When Santa Claus Insider fills your stocking with toys, just watch that he don't take the pennies out of your bank.

A stop order permits a further profit while protecting those already secured.

Playing panics is more profitable than straight investment.

A concern that can build new plants and buy other properties largely out of earnings has an unbounded future.

If you cannot gauge the buying point closely, put in a scale order.

It is well to keep your ears open even in Wall Street.

A panic is a nauseated stock market, and brings its own cure.

Insiders swing such big blocks that they are obliged to show their hand.

It only takes a few panics to do the trick, providing you don't want too much.

Observations

By The Owl

THERE came into the TICKER office one morning a trader who lived in a distant metropolis.

Said he: "I am going to locate in New York for some time and wish you would put me next to a good house that will handle odd lots on margin."

Of course "we would" and ere long he was comfortably located in the office of a reliable Stock Exchange house.

A few weeks later the writer, happening in the same office, discovered the trader among those who were watching the quotation board.

"How have you made out?" was asked.

"Well, of course I'm only a small trader—I never deal in more than 25 shares at a time—but I've made about $500."

"That's doing very well under the circumstances. How do you trade? Cut your losses?"

"Oh, yes!" he replied. "I take a small loss."

"How much—two points?"

"No. I seldom let a stock run against me over a point," was the complacent rejoinder.

There doesn't seem much use in stating the moral of this, although psychologists tell us that the average person doesn't see, hear or understand a thing till it is brought to his attention eight times.

"I want to congratulate THE TICKER on taking what I consider the right view of this stock market proposition," said a wealthy Wall Street man. "There is too much bolderdash written and talked about the Stock Exchange by people who are really not in a position to judge and who write from a merely superficial standpoint. Your magazine is of such practical assistance that it seems to me brokers will be serving their own interest by placing it in the hands of their clients."

"Your recommendation that investors and speculators study the fundamentals which govern prices is also worthy of approval. I know this from my own experience.

"When I first come down here I used to dub away my money like any other lamb. Every bit of cash I could get hold of went into stocks. Probably I would still be losing had I not awakened to the fact that to be successful I must study conditions which in a broad way govern prices.

"From the day on which I realized this, I stopped losing and my subsequent success in the market has been wholly due to work in this direction.

"Two years ago I foresaw that troublous times were coming and began accumulating money with which to buy stocks at panic prices. Last fall my opportunity came. I was in the office of one of the largest brokerage houses of the Street and the bottom was simply dropping out of things. The firm was vainly trying to borrow money at 100% per annum; it couldn't get a cent.

"I figured that this indicated a pretty rotten condition of affairs—just what I had been waiting for. If this firm was unable to borrow money at 100%, I was for buying stocks on that basis.

"Wall Street was thronged with excited depositors and lines in front of certain institutions extended down the street and around the corner. Surely 'The Streets of Paris were running with blood,' and the time to buy had arrived.

"So I spent my money for things like Union Pacific (at 108) Pennsylvania & Northern Pacific and some other good ones at the same level.

"Yes, I still have them and there's no telling how high a price I'll get for them when the top of this bull market is reached."

Bonds

Their Various Forms—How Issued and Secured—Methods of Determining Value

By F. R. FULLER, of Fuller & Co.

A BOND is an instrument of credit. Bonds differ from promissory notes only in the following respects:

Bonds are issued in series and are usually secured by a mortgage or some definite security.

Notes are promises to pay, based largely upon confidence; except Collateral Notes; these are secured by some definite collateral.

We shall undertake to explain the nature and value of Government Bonds, Municipal Bonds and Corporation Bonds.

The two former classes of bonds are simple compared with the last named, with its multiplicity of names and features. Some of the Corporation Bonds are known as First Mortgage, Second Mortgage, Third Mortgage, Consolidated Mortgage, Refunding, Unifying, Prior Lien, Improvement, Land Grant, Terminal, Bridge, Collateral Trust, Debenture, Income, Adjustment, Joint, Sinking Fund, Convertible, and Equipment Bonds.

These various kinds of bonds may be divided for the most part into two general classes: (1) Mortgage Bonds, secured by some specific security, and (2) Unsecured Bonds or Credit Obligations.

Let us now pass quickly over Government Bonds. These are bonds issued by some National Government which is desirous of raising money. They are secured by the general credit of the Government, by the customs receipts, or by some Government monopoly.

We shall consider first a bond of the United States of America, which is issued not only for the above purpose, but which forms a basis for circulation by means of our National Banking System. These United States Government Bonds are purchased almost wholly by National Banks who use them to secure circulation.

Among the bonds issued by the U. S. Government and now dealt in, are the United States 2s of 1930; U. S. 3s, 1918; U. S. 4s, 1925; U. S. Panama Canal 10-30 year 2s, 1936; Philippine Island 4s, 1914-1934, etc. These bonds sell above par. All may be used by the banks as indicated.

The English Government Bonds, known as British Consols, Bonds of The Republic of France and the Empire of Germany, are all considered gilt edged and sell at high prices. The 5% Bonds of the Republic of Cuba are actively dealt in in the New York market, and now sell a little above par. That Government being somewhat unstable, its bonds are considered a second-class investment.

While there is little doubt that these Cuban bonds are a fair investment, they are looked upon by some as speculative, for the reason that in former times, the

bonds of this island have been repudiated. With the practical guarantee of the United States that peace must exist on the island, such a contingency seems somewhat unlikely.

Another issue, selling on about the same basis as the Cubans is that of the Japanese Government. Prior to the war between Japan and Russia, Europe and America knew little and cared less about Japanese securities, but during that conflict the nations of Europe and America began to look favorably upon the obligations of the "Little Brown Nation." During the war, there were issued The Imperial Japanese Government 6s of 1911, secured by a first charge on the Japanese customs receipts. These were underwritten by syndicates of banks and bankers in Europe and America, sold for a time at about par, and have since been refunded by a new issue.

Following the output of these bonds, the Japanese Government issued a second series of 6s, due in 1911, secured by a second charge on the customs.

Then came an issue of 4½s, due 1925—a first charge on the receipts of the Japanese Government tobacco monopoly.

Next in order was the second series of 4½s. due in 1925, secured by a second charge on the receipts of the tobacco monopoly.

These loans were all floated in Europe and America during the war. At the close of the war the Government, feeling its credit stronger, issued the 4s of 1931; these were unsecured, being merely obligations of the Government.

All these Japanese Bonds have a broad market in Europe and the United States, and are actively dealt in at varying prices. They cannot be called high grade investment bonds, being considered speculative for many reasons.

The Japanese Government at the present time is warlike and aggressive. The large amount of bonds issued has strained the credit of the country to very nearly its limit. In case of further disputes with any nation, it is probable that Japan would have great trouble in borrowing money; it is also probable that many of the present holders would throw their bonds upon the market.

We shall not discuss Government Bonds further. Comparatively speaking, they are of less interest than other forms of bonds.

Municipal Bonds.

Municipal Bonds are divided into several classes, viz.: City, Town, Village, County, School District Bonds, etc. Such issues are simply evidences of debt, and usually run from five to fifty years.

Municipal Bonds are one of the safest forms of investment.

They are issued to provide funds wherewith to build school houses or public buildings of any character; to develop parks, build sewers, water plants, in fact, for any municipal purpose.

To ascertain the safety of a Municipal Bond, it is necessary to inquire carefully as to population, assessed valuation of real estate, personal tax rate in recent years, relative proportion of outstanding debt to valuation, etc. From these facts you can determine the financial condition of the city and the safety of its bonds.

If the population is an active and growing one; if its assessed value in proportion to its population shows the city to be wealthy; if the tax rate is low and its outstanding indebtedness small, you may be sure that the bonds of such a city are a sound investment.

The legal status of such a bond must be carefully examined. It must be determined whether the increased indebtedness will exceed the debt limitation, as fixed by law; if so, whether it was properly authorized by act of Legislature. A competent attorney must have determined whether the resolution authorizing the loan was legally passed, and whether all other formalities necessary to make the issue legal, were complied with.

The debt limitations of most cities are regulated by law. Provisions are very clear on this point, also as to what constitutes a legal procedure in the issuing of bonds. For instance: In New York State any county or city is allowed to borrow for any purpose or in any manner to an amount which, including existing indebtedness, shall not exceed 10% of the assessed valuation of the real estate of such city or county. All indebtedness in excess of such limit, unless legally provided for, is absolutely void.

In Connecticut, the limit fixed is 5% of the assessed valuation; in New Jersey 10%, and so it varies in the different States.

The statute stating the limit is easily obtained by procuring a copy of the law which prevails in the State where you reside. This can be had from the Secretary of State, or from the Tax Commissioner.

As we have said, the majority of Municipal Bonds represent sound investments. Their yield varies from 3½% to 7%. Municipal Bonds, however, do not enjoy a ready market unless issued by large cities such as New York, Boston, Philadelphia and others of the first rank.

mining the relative value of Municipal Bonds, we will take as an example two well known municipalities, viz.: the City of Waltham, Mass., with a population (in 1900) of 23,500, and the city of Pueblo, Colo., with a population (in 1900) of 28,157.

We shall append tables from the annual reports of the Treasurers of these two cities, showing their debt, together with a report of the Board of Assessors, showing assessed valuation and population.

We shall then calculate the market value of the Water Bonds of the two cities and by comparison and deduction make the relative value clear.

Treasurer's Report of the City of Waltham, Mass.

Bonded indebtedness of the city is	$842,000.00
Floating Debt	60,000.00
Total Debt	$902,000.00
Sinking Fund	332,464.00
Net Debt	$569,536.00
Assessed Valuation of Real Estate	$17,398,200.00
Assessed Valuation of Personal Estate	6,397,257.00
Total Valuation	$23,795,457.00
Tax Rate per Thousand	16.50
Population	23,000

The marketability of Municipal Bonds among individual investors is due largely to their tax-exempt features in certain States.

In endeavoring to ascertain whether a Municipal Bond has been legally issued, and whether it really represents a safe investment, each issue must be judged by itself.

Naturally, the bonds of a metropolis are more easily marketed than those of a less known community. Moreover, bonds of well established cities which have never defaulted on their bonds will sell at better prices than the bonds of a new community whose bonds have not become "seasoned."

In order to explain a method of deter-

Upon investigation, we find that the 4% Water Bonds of the City of Waltham, due in 1913, sell at par, at which they yield 4%, while the 6% Water Bonds of the City of Pueblo, due in 1914, sell on about a 4.30 basis.

With these statistics before us, if we wish to determine the relative value of these bonds, whether the market quotations are fair, and whether the ratio of selling price is also equable, we must investigate the facts in the premises.

In the first place, the two bonds under consideration are not secured simply by the general credit of the cities; the entire water supply system is pledged as additional security for their payment. Hence the security is so ample that it at

once establishes the bonds as high class investments.

Waltham is an old city in a populous community. In it are located many manufacturing enterprises of long and high standing. Its growth has been slow but steady; it has always met its obligations at maturity.

Pueblo is comparatively young, in practically a new community. Its growth had been rapid, yet healthy. We find the population of the cities to be substantially the same, but the Total Net Debt of Waltham is less than the Total Net Debt of Pueblo.

of Waltham to be in excess of Pueblo. We will also learn that the tax rate of Pueblo is greatly in excess of Waltham.

From this comparison it would seem that the Pueblo Bonds were selling at a higher relative price than they should. The highest grade Municipal Bonds now sell on about a 4% basis. Therefore, if the bonds of the City of Pueblo sell at a 4.30 basis, they yield very nearly the same as the best grade of Municipal Securities.

Upon further investigation, necessary to determine the reason for this, we find that whereas the growth of Waltham has

Treasurer's Report of the City of Pueblo, Colo.

STATEMENT OF DEBT.

General Fund Bonds	$289,000.00
Water Debt	1,415,000.00
Park Debt	378,500.00
Sewer Debt	320,000.00
Bridge Debt	10,000.00
Paving Debt	203,000.00
Total Bonded Debt	$2,615,500.00
Floating Debt	462,345.00
Total Debt	$3,077,845.00
No report is made of cash in the sinking fund, but the value of City Property is placed at	$781,500.00
Assessed Valuation of Real Estate	$13,883,549.00
Assessed Valuation of Personal Estate	2,289,605.00
Total Valuation	$16,173,154.00
Tax Rate Per Thousand About	41.00
Population About	28,000

Upon investigation it appears that the recent rapid growth of Pueblo has called for many public improvements, and that its debt at the present time, as compared with its population, is probably as large as it ever will be. These public improvements were undertaken at great cost and the obligation recently assumed, while those of Waltham have covered a longer period, one such improvement having been paid for before another was undertaken.

If we compare Valuations, we find that been slow, Pueblo has made tremendous strides, both in wealth and population. Great industries are centered there; its future is assured. Within a very short period it will probably outstrip Waltham in population and in wealth, as its advantageous location should make it one of the great cities of the West.

Having all these facts in mind, and looking to the future, investors give Pueblo credit for its prospective growth and development. Its bonds, therefore, sell on a basis approaching that of older and

wealthier cities; hence the price of this bond "discounts the future;" that is to say, it has advanced in price before the real value is visible to all.

We shall not discuss in this article the legality of either of these issues. They are already on the market, having been originally purchased from the cities by banking houses whose attorneys carefully examined them as to their legality.

In the event of subsequent issues by either of these cities, it would be necessary to ascertain the legality of such new issues. Judgment should depend solely upon individual merit.

It would be advisable in this event to carefully ascertain from past reports the growth in population for a period of ten years, also the increase in value of real and personal property during that time. Investors purchasing long time Municipal Bonds look to the age and stability of the city issuing them, as well as the progress it is making toward greatness.

Corporation Bonds.

Before entering into the subject of Steam Railroad, Electric Railroad and Industrial Corporation Bonds, let us consider the meaning of the term Mortgage and Coupon.

A Mortgage is a conveyance of property to pledge or secure the payment of money or the performance of some act.

Any person legally capable of making a contract may execute a mortgage. Corporations have the same rights in this respect as individuals, unless especially prohibited by statute.

A mortgage may be executed by an agent when clothed with proper authority.

A person or corporation executing a mortgage is called the Mortgagor. The person receiving the mortgage or in whose favor it is drawn, is called the Mortgagee.

Substantially every kind of real or personal property or any interest in such property which is tangible and capable of being conveyed may be mortgaged. Mortgages may be made to include property not yet acquired or created and when such property is afterward acquired or created, it will be covered by and subject to the mortgage.

There must be some consideration given in exchange for a mortgage. A future or conditional debt or a sum to be determined by arbitration or otherwise may be a valid consideration for a mortgage; also an unsettled or undetermined debt or balance of an account; but a preexisting debt without conditional present consideration will not be good as against an innocent purchaser.

A mortgage must contain the name of the mortgagor and bear his or its signature. It must contain the name of the mortgagee, and unless it is in payment of unliquidated debt or balance, or for a future or conditional debt, the amount for which the mortgage is given must clearly be stated therein.

Fraud in making or procuring a mortgage will invalidate a mortgage and if it is made to postpone or defeat just creditors, it can be set aside.

The mortgagor is entitled to possession of mortgaged property until a breach occurs in the conditions of the mortgage or unless the property has been legally taken from him by foreclosure or other proper legal proceedings.

A mortgagor must not commit any act that will impair the security of the mortgage; otherwise he may be constrained and held liable to the mortgagee for damages.

When there is any doubt as to the meaning or construction of the terms or conditions of a mortgage, it will be construed, so far as justice permits, against the mortgagor and in favor of the mortgagee.

The mortgagee has the same relative standing in regard to the mortgaged property as against all other liens and equities that an innocent purchaser for full value would have.

In some States, statutes have provided forms of mortgages and made regulations regarding them.

Where a mortgage is given to secure a coupon bond, the security of the mortgage covers both the coupons and the principal bond and if coupons are cut off and sold to a third party, such a third party acquires an interest in the mortgage security which the owner of the principal bond cannot discharge so as to

protect a bonafide purchaser of the mortgaged property.

A Mortgage security for a bond issue is usually executed to a trustee; that is, to some disinterested party. Such trusteed mortgages secure the holders of mortgage bonds whether the bonds are in registered or coupon form.

A Bond is simply part of a mortgage.

If a corporation wishes to borrow $1,000,000, it executes a Mortgage and Deed of Trust on a certain part of its property in favor of a certain trust company as trustee. The trust company divides this mortgage up into one thousand pieces of $1,000 face value each. These pieces are known as bonds.

Coupons are usually attached to negotiable and non-negotiable bonds.

When detached from the bonds (if the bonds are negotiable bonds) the coupons become negotiable instruments. By their terms they are made payable to bearer or order, and if properly endorsed they call for the payment of a fixed sum of money at a certain time.

The fact that a coupon is unpaid does not render the bond non-negotiable. Coupons, if not paid when due, usually draw interest to maturity, except in cases where coupons are held by their owner and not presented for payment.

A coupon is entitled to its pro rata share of the mortgaged security but has no preference over the principal debt.

Coupons vary in detail, but as a rule they are numbered to correspond with the number of the bond from which they are detached, and contain facsimile signatures. They are also numbered in the order of their due dates.

Here perhaps it will be well for us to explain the difference between a coupon bond that is not registered and a coupon bond that may be registered. A coupon bond is a negotiable bond. It is one to which coupons are attached, representing the interest to be paid. The owner of the bond clips them off as they become due. The bond changes ownership by delivery.

A registered bond may be registered, (1) as to principal, and (2) as to both principal and interest. When a bond is registered as to principal, the name of the owner of the bond is written on the bond itself, and recorded on the books of the company or the trustee. This is of great advantage in case the bond is lost; the person who finds it cannot make use of the principal. If a bond registered as to both principal and interest is lost, the finder of the bond can obtain neither principal nor interest. Checks for interest are mailed to holders of this class of bonds.

The coupon bond is of course more quickly negotiated than a registered bond, because when an unregistered coupon bond is sold, it is not necessary to change the names on the registry books of the corporation.

A Mortgage Bond.

It is well to learn whether any so-called First Mortgage Bonds are subject to small divisional or prior liens. Sometimes owners of bonds are surprised to learn that they have purchased something entirely different from what they supposed.

We will assume that a certain lot of bonds were a part of an original issue; secured by a first mortgage on 460 miles of road. These bonds would be called First Mortgage Bonds, being an absolute underlying lien or first mortgage on that particular 460 miles. In order to ascertain whether a bond is a first mortgage on an entire system or upon only a portion thereof, you must examine the mortgage deed filed with the trustee, or secure the information from a reliable Manual, banker or your bond house. If it is an absolute first mortgage bond, the mortgage will so state. It will also be shown whether the issue is subject to any underlying liens.

A mortgage deed states to whom the corporation is mortgaging its property. (This is ordinarily a trust company and designated as the Trustee.) It states why the mortgage is given. The mortgage might state, for example, that it was given to secure 20,000 General Mortgage 6% Bonds of the denomination of $1,000, making a total of $20,000,000.

In this particular general mortgage, all bonds are for $1,000; this is the general rule, but in other cases, bonds are frequently issued in denominations of $100, $200 and $500. The mortgage

states the denomination and number of the bonds issued, the date of the mortgage deed and other particulars. The resolution of the Board of Directors, authorizing the mortgage is set forth in the mortgage; this states the purpose for which the mortgage is given, the principal sum of the mortgage, the property deeded as security, etc., also the authority granted to the treasurer or some other official of the Corporation for the execution and sale of the bonds.

A copy of the bond itself must be contained in the mortgage deed and the mortgage deed must state the exact property covered by the mortgage, also whether that property is subject to any other mortgages or liens.

If any part of the property is subject to any other lien, the first mortgage is not a first mortgage on all the property, but only on a portion. It is subject to these existing liens until they have been discharged. It will then become an absolute first mortgage.

The mortgage deed must state when the mortgage becomes due, when and where the interest is payable, whether the bonds are coupon bonds and whether or not the principal and the coupon may be registered.

The deed should provide that until a default is made in the payment of the interest or principal, the property shall remain in the possession of the mortgagor.

It should state that if there should be a default in the payment of interest, the trustee shall have the power to take possession of the property. The mortgage should further state the terms under which the holders of the mortgage bonds are enabled to so take possession. The mortgage deed should be duly sworn to and signed under seal.

(To be continued in the November TICKER.)

A Few Criticisms

By Heawitha Grouch

The following recently appeared in the New York *World*:

"You may sell 500 Erie on the next turn at an eighth. Buy 1,000 Pacific on the next turn. Yes, I will take a bite more of that salad. That Reading looks good. Buy me 500 on the market. No, thank you, no more chicken."

Mrs. H. B. Hanna, a gray-haired woman, sat in a private room of a broker's office yesterday afternoon in the Hotel Plaza, and while letting the long white ticker tape run through her fingers, ate her luncheon and gave her orders for buying and selling stock.

At the close of the market yesterday, although the trading had not been active, Mrs. Hanna, one of the most daring operators on the stock market, had rounded the $90,000 point in profits covering a period of four months.

Every day, between 10 and 3 o'clock, Mrs. Hanna can be found in the broker's office. A special office in the rear of the general trading room is set aside for her, and a special ticker has been installed for her direct and personal use.

"You never hear anything from Mrs. Hanna," said the manager of the office, "except her orders to buy or sell. She has been on the bull side of the market of late. She is a good customer, but a business-like one. Her orders seldom fall below 9,000 shares a week. She is not a reckless buyer. She is a student of affairs and buys on her own judgment. She refuses tips on markets and does not care to hear the gossip that may float around a broker's office."

The writer has developed a few gray hairs of his own in trying to find Mrs. Napoleon Hanna. None of the brokerage offices in the Plaza seem willing to acknowledge her patronage; she is not in the directory; mail addressed to her is returned and the *World* fails to respond to a request for the name of the reporter who wrote the story.

We hope this will reach the eye of Mrs. Hanna (if she exists), and that she will tell us how she did it. From the first paragraph we judge that either Mrs. Hanna and her broker have a private order code of their own or the reporter is rusty on his shorthand.

No intelligent person would otherwise give an order to "Buy 1,000 Pacific on

the next turn," and if they did no one would understand them.

Will this "most daring operator" kindly come out of the bush?

The scribe who writes the "Broad Street Gossip" column in the *Wall Street Journal* has recently been trying to explain some things he doesn't understand. This is evidenced by the following:

No aspect of the market has been more commented upon of late than the apparent scarcity of stocks, or, to be more exact, their inaccessibility to borrowers. The question is everywhere asked: Where are the stocks? The answer is that stocks for the most part are lodged in bank loans. It doesn't pay to lend stocks in a 1 per cent. money market. Suppose a broker has 5,000 shares of stock long, at an average market value of par. That is $500,000 worth of securities. If he lends them at 1 per cent. the interest is $14 a day, and that doesn't begin to pay him for the trouble and clerical labor of lending them. He puts them in a bank loan instead and leaves them there. If the borrowers of stock, or those who pretend to be large borrowers, would offer inducements they might find stocks accessible enough. For instance, if they were to bid 1-64th premium the stocks might be forthcoming. A premium of 1-64th is about $1.55 per hundred shares a day for the use of stock. The broker with 5,000 shares to lend would then receive $14 interest, as before, and about $78 premium, or altogether $92 a day for the use of this 5,000 shares, and on those terms he would be doubtless glad enough to lend them.

In the first place, Scribey, people don't bid 1-64th right off the reel when they are obliged to borrow stocks. The loaning rate on stocks fluctuates according to supply and demand, and just as prices fluctuate. Whether the rate is legitimate or artificial, its changes are in accordance with the above basic law combined with Stock Exchange custom.

The following table shows the fluctuations, the money equivalent of each rate and upon whom the expense falls:

Table of Loaning Rates:

Figured on a 100 Share Lot of Stock, Market Price Par—$10,000

When Rate Is	The Lender of the Stock Pays Per Day For Use of Money	The Borrower of the Stock Pays Per Day For Use of Stock
6 %	$1.67	——
5 %	1.39	——
4 %	1.11	——
3 %	0.83	——
2 %	0.56	——
1 %	0.28	——
½ %	0.14	——
Flat	——	——
1/256 Premium	——	$0.39
1/128 "	——	0.78
1/64 "	——	1.56
1/32 "	——	3.12
1/16 "	——	6.25
1/8 "	——	12.50
1/4 "	——	25.00
1/2 "	——	50.00
1 "	——	100.00

The broker who loans 5,000 shares of stock worth $100 per share at 1-64th premium will receive $78 premium only; he will not be paid $14 interest in addition.

There's another little matter regarding which we disagree with you, Scribey, old boy, and the cause of this particular outburst is found in your ideas on Pyramiding. We found these paragraphs floating about in a recent issue of the *Wall Street Journal* and sort'er tied them up to the dock till we had a chance to look them over:

> There have been more fancy pyramids in American Smelting than in any other stock. Instances are fairly numerous of mere shoestrings of capital having been multiplied to the fifth figure. The rapidity with which an account will grow in the hands of one who doubles up as often as the broker will permit is surprising to those who have never seen the thing done. But in not one case out of a thousand does the gambler cash his profits or any part of them. He thinks himself a shrewd, uncanny speculator, when in fact he is a mere gambler betting foolishly against preposterous odds. He has the kind of nerve it would take to bet that a coin fairly tossed will come heads twenty consecutive times and double the stakes each time. Why this method of stock gambling is called pyramiding nobody knows. The word doesn't describe the thing at all, or worse, it describes it upside down. A pyramid starts with a fixed base and tapers up from its four sides to a point, whereas this kind of speculative account starts from nothing and broadens as it rises. It could properly be described as an inverted pyramid, but the term is seldom used, perhaps because it is too long and makes an awkward adjective.
>
> "Pyramiding," so-called, is not to be confused with the practice of following prices up or down as they may happen to be tending. This may be done safely, or, with a reasonable prospect of ultimate profit. Indeed, failure in speculation otherwise intelligently pursued may often be explained by the reluctance of the speculator to follow up his advantages. In a certain sense, it takes more courage to sell a falling market than to fight a rising market. For instance, a conservative speculator sells Union Pacific short at 155. If it goes to 157 he can easily sell as much more, so that his average will be 156. But if it goes to 153 he will hate to sell again. That would bring his average down to 154. Between the temperament of this man and that of the pyramider there is the widest possible difference. One is totally lacking in the kind of nerve which the other has in a foolhardy degree. The pyramider would sell 1,000 Union Pacific at 155, 2,000 at 153, 4,000 at 151, 8,000 at 149, and so on down, whereas the other would hesitate to sell a second 1,000 shares at 153 or a third 1,000 at 151.

We've been down here in the Street a week or two and have never yet "seen the thing done," as you describe it.

This is how an account would stand if operated according to your figures:

When 149 is reached 15,000 shares would be outstanding on the short side; there would have been over $120,000 deposited as margin if the broker required 10 points; the profits would total about $20,000; the average selling price, deducting commissions, would be less than 150¼. A rally of 1¼ points would wipe out all profits.

No one but a lunatic would double and redouble his line so that his average selling price hugged the market price so closely.

Brokers usually stand ready to accept any amount of business that is properly margined, hence the more often the line is doubled the better the broker likes it.

Everyone conversant with stock market movements realizes that a stock seldom breaks six points without at least a two point rally somewhere during the decline. If the turn comes at six points down the rally will usually extend three points.

Traders with $120,000 to risk in such operations have usually cut their wisdom teeth and are not to be found with their heads in a noose of their own making.

So it seems to us that the pyramider, as you paint him, does not exist outside the imagination of certain individuals. We also claim that "following prices up or down" is pyramiding, and that pyramiding is just what you claim it is not.

Leave it to any one you like—this is a pyramid:

Sold	100	Un. Pac.	155
"	100	"	153
"	100	"	151
"	100	"	149

just as much as the other operation which you describe.

How Hard Times May Be Forecasted*

By Roger W. Babson

As we have covered in this series about one-half of the subjects included in the list of Fundamental Statistics, we will in the present article serve as a sort of *entrée*, something on the general subject of Hard Times.

The business situation always stands in one of four periods; namely:

1. A Period of Depression.
2. A Transitory Period from Depression to Prosperity.
3. A Period of Prosperity.
4. A Transitory Period from Prosperity to Depression.

The completion of these four periods forms what is known as a business cycle.

Properly, each of these four periods should be explained independently, together with the direct relation of each to the other three. Not only is each period governed by a set of laws, but there is a constant and absolute relation of each period to the other three.

Those who have made a careful study of economics are acquainted with these laws and conditions, although it is only within the past few years that they have been studied from a practical point of view. The old method of teaching economics, as well as chemistry, physics, mathematics and languages did not equip the student with practical knowledge which might prove of commercial value; it aimed to develop his mind and thinking powers. During the past few years, however, a radical change, relative to such matters, has developed among faculties. To-day they are teaching *practical* psychology and *practical* economics.

I trust none of my readers will jump to the conclusion that this is any new theory or recently discovered scheme. It is an old and rather simple theory, but has never been practically applied.

Hard Times is a disease, just as surely as is typhoid fever or tuberculosis. There is absolutely no exaggeration in this statement. The Hard Times malady has its origin, runs its course and is cured just as diseases of mankind, pass through these various stages.

The only difference between typhoid fever and Hard Times is that the former is a disease of the physical system, while the latter is a disease of the industrial and mercantile system. Otherwise they are similar. Theoretically, sickness can be wholly eliminated; practically, this will never be accomplished. Theoretically, our industrial and mercantile system can be so organized that Hard Times will never recur, but practically such an ideal state of affairs will never be attained.

Sickness is due to one of three causes:

1. Overwork.
2. Dissipation.
3. Accidents.

The first two causes are self-explanatory. Under the last, viz.: Accidents, we include certain contagious diseases for which the patient is not responsible, as well as falls and other mishaps. We place these together under the general head of Accidents, as in effect there is no difference between being bitten by a mosquito laden with yellow fever and colliding with a wagon loaded with dynamite—both are accidents.

Hard Times are also due to three causes:

1. Over-extension of Business.
2. Extravagance in Living.
3. Accidents, such as Wars, Large Conflagrations, Assassinations, Etc.

Another similarity between sickness and Hard Times will be immediately noticed; we refer to the fact that sickness can usually be prophesied by any one acquainted with the elementary principles of physiology, provided they watch for such symptoms as may appear. The laws of nature are absolute and exacting, and, although men vary in their

strength and in their weaknesses, the ultimate result of obeying certain laws is health, while disobedience produces sickness. As civilization progresses the condition of man is more and more dependent upon the actions of his ancestors. This is likewise true of industry and business, as will be shown.

To sum up, therefore, human diseases and Hard Times are both traceable to one or more causes which correspond exactly in both cases; that is, Overwork of the body corresponds with Over-extension in Business.

Physical or Mental Dissipation corresponds with Business Extravagance.

Physical Accidents correspond with Unforeseen Events in the industrial world.

If a man overtaxes himself beyond certain limits, nature will take a hand, and he will succumb to sickness of some sort. When credits are over-extended and bank loans inflated, business is sure to undergo a reaction.

Let a man dissipate and the time will surely come when he will be halted by a severe illness. If a nation is too extravagant and its people too wasteful, Hard Times are sure to follow. Prosperity is always accompanied by a great increase in the amount of money spent upon luxuries; periods of depression invariably follow.

If a man is caught in a tight money market his business is crippled. The same principle is the same in both cases.

The three above mentioned causes, including accidents, can be forecasted to a certain extent. A person who is in poor physical condition is much more liable to be infected by a fever-laden mosquito than is one who enjoys perfect health. Although his encounter with a germ cannot be prophesied, the individual whose condition is low will be an easy prey to the first germ which happens his way. This is identically the case in business. In times of depression a bank failure produces but trifling effect, but give us large bank failures during booming times (when the business situation is unhealthy), and the effect is severe and widespread.

If a President should be shot when trade was in a low but firm and healthy condition, there would be no noticeable change in business conditions; but when an assassination occurs during a period of inflated prices and extended credits, a great reaction always follows.

Therefore, although Hard Times as a result of accidents and unforeseen events cannot be as accurately foretold as when due to over-extension or extravagance, they can be anticipated with much certainty. In fact, many who make a study of this branch of economics are watchful for such accidents during times of prosperity; due precautions are taken with results almost as satisfactory as if it were possible to forecast them.

The above outlines in the simplest and most condensed manner possible the underlying theory of our subject. We will now mention the symptoms of each of the three above-mentioned sources of trouble.

SYMPTOMS OF OVER-EXTENSION.

An increase in the Ratio of Bank Loans to Bank Resources, especially when it becomes abnormal.

An increase in the Ratio of Bank Loans and Investments to Resources. The bank situation always becomes weaker in direct proportion as the Ratio of Loans and Investments to Resources shows an increase.

A decrease in the ratio of Actual Cash to Deposits is also a symptom of future trouble. The same is true of the ratio of Cash to Total Resources.

The total Bank Clearings of the United States is one of the very best barometers of business conditions. If this reaches an unprecedentedly high point, a business reaction may be expected with absolute certainty. In making a study of Bank Clearings, however, two separate sets of tables should be kept; one including all of the Bank Clearings of the whole United States, and the other covering the United States, with the exception of New York City. Stock Exchange transactions form such an important item of the business of the banks of New York that the New York figures are not of such practical value in judging strictly mercantile conditions. Therefore, when studying business conditions it is best to consider the clearings of the entire

country with the exception of New York. If, however, the New York figures give the same indications the evidence becomes stronger.

We also might mention the number of New Companies Formed and the Total Transactions on the leading stock exchanges, although when one is studying business conditions he must not devote too much attention to the stock market. While the trend of the stock market for a long period is a splendid barometer of trade, wide fluctuations extending over a few months are frequently the result of manipulation and bear no direct relation to actual financial and business conditions.

SYMPTOMS OF EXTRAVAGANCE.

There are various methods used by merchants to diagnose conditions along this line. One of the first is a study of the Amount of Money in Circulation. Although the amount of money in circulation, considering the country as a whole, is always large preceding a period of depression, the amount *actually* in circulation is much smaller. For instance, if 10,000,000 people carry in their pockets \$10 instead of \$1, theoretically the amount of money in circulation in both cases is the same; practically it makes a tremendous difference to the banking interests of the country. The additional \$9 which they each withhold means \$90,000,000 in cash diverted from banking resources; this reduces the available credit for industrial and mercantile purposes by \$360,000,000.

Another symptom of extravagance is the Wealth of the Inhabitants of the United States, based on the value of real and personal property. As this increases beyond a certain amount per capita or at too rapid a rate, it becomes an indication of impending Hard Times.

High wages and scarcity of labor are also symptoms coming under this head. Men must be employed and must have money or Good Times would not prevail, but too much money and too few laborers is a sure symptom of a coming business depression.

A study of the Balance of Trade also comes under this heading. One of the inevitable results of prosperity is a great increase in Imports accompanied by the borrowing of foreign capital for new enterprises or extensions. Heavy Imports, coupled with such borrowings, invariably result in an increase in the rate of foreign exchange and are usually followed by excessive exporting of gold. These gold exports in turn, if extending over a certain period, are generally followed by high money rates; and as a rule end in a financial panic.

SYMPTOMS OF DANGEROUS EVENTS OR ACCIDENTS.

There are various other symptoms which would come under the head of unforeseen events. These events, however, though wholly unforeseen by some men are forecasted with certainty by others. Some students of economics would say that the raising of the bank rate in England, France or Germany is an unforeseen event which causes gold exports and consequent high money rates in this country. It is very easy for any one to keep in touch with foreign financial conditions. To them an increase in foreign exchange rates is no surprise when preceded by the above indications.

Another ominous sign is the financial advent of financiers who have quickly come into great prominence, but about whom very little is known. When men of whom we hear nothing in normal times begin to spring up like mushrooms in a night, it is well to look for trouble.

Bad crop news would come under the general head of accidents, but even the crops may be forecasted to a certain extent. The man who keeps many horses may not know anything about crop conditions until he is told that the price of oats has increased ten cents a bushel; had he taken pains to keep informed he might have seen two months before the harvest that only two-thirds the previous crop had been planted and that its condition was poor.

The San Francisco earthquake and fire was possibly one of the best illustrations of a symptom coming under the head of accidents. Some months before this occurred a man connected with the Insurance Department of one of our States remarked that the funds of the insurance companies were so closely invested that

they would be obliged to sacrifice their securities and call their loans in the event of a large conflagration. I simply mention this to show that even those things which appear to come as great surprises out of a clear sky have their indications and are more or less anticipated by careful observers.

There are, of course, other subjects worthy of study, such as Business Failures and allied topics, but I shall simply summarize all of the symptoms as follows:

1. The formation of many new companies together with abnormally increased activity of established enterprises.
2. High prices of commodities, especially copper, iron, cotton, wool, etc.
3. Heavy expansion of railroad, shipping and industrial enterprises resulting in great demand for new capital.
4. The operation of industrial plants to their utmost capacity, resulting in over-production of commodities. This over-production is sometimes due to improved methods and new inventions.
5. A marked increase in speculation and the floating of questionable mining, rubber and oil stocks.
6. A very high price for labor accompanied by a scarcity of laborers.
7. Great extravagance on the part of individuals and great activity in those industries which supply luxuries such as jewelry and automobiles.
8. The appearance in financial circles of a new class of operators who often are inexperienced and who later develop dishonest and questionable traits.
9. An increase in interest rates followed by great expansion in loans and gradual decrease in the amount of surplus reserves.
10. Bountiful crops and exceedingly large exports followed by a crop failure.

As the data relative to the twenty-five subjects under Fundamental Statistics are accumulated they should be analyzed and tabulated. Whenever new data are obtained a new estimate is made for the subject upon which it bears. For example: Upon receipt of the number of Failures for the week, this number will be added to that for previous weeks and an estimate made for the current month. The estimate for the current month, together with the actual figures for the preceding months of the current year are then assembled and compared with corresponding months of previous years. An opinion is thus reached as to what the Failures for the current year signify.

Each of the twenty-five or more subjects is studied in this way and a new conclusion deduced in each instance and for each revision.

The final and most interesting part of the entire work is the comparison of weekly results (the figures are generally made up only once a week) with the results of previous weeks. By this comparison only may correct conclusions be reached. If, for instance, the high points of the various plots over a long period of weeks show a continual but slow increase, we are on the verge of better times, however poor business conditions may appear to the average merchant. On the other hand there will be times during periods of great prosperity when every one seems to have forgotten such a thing as Hard Times when the weekly reports will show a gradual decrease, running from plus 100 down to nearly minus 100 on the course of one or two years.

We have here explained only the theory and application of this work as carried on by the most successful merchants and industrial corporations of this country, the profitable results derived therefrom have not been considered. We will state, however, that the results are almost beyond imagination; in fact, I could prove that in nearly all instances the greatest corporations have been built up, not simply from the manufacturing, buying and selling of goods, but *in knowing what coming conditions are to be!*

The Carnegie fortune, the Marshall Field fortune and many others which I might mention, were founded directly upon these principles. Such concerns did not fear Hard Times. They welcomed Hard as well as Prosperous Times and actually made more money as a result of Hard Times than Good Times, by knowing what was coming *and by being fully prepared.*

A firm so equipped can at such times

buy to great advantage; it is often able to wipe out competition and thus provide for an absolutely clear field when prosperity returns. New customers may be obtained by the wholesale, while competitors who are not so well situated are obliged to contract their credits.

Scores of other advantages might also be mentioned. Let us repeat, however, that the most successful merchants do not fear Hard Times in any way or to any extent whatsoever. Instead they are anxious to have them come once in so often. They profit regularly during each of the four periods we have outlined and by each change from one to another.

It is for this reason that many large concerns maintain statistical departments, and although the expense runs in some cases into many thousands of dollars per annum, they are the most profitable of all departments. In some instances the statistical department will make more money than all of the other departments combined.

Although we have here considered only Hard Times, a study of Good Times is just as important. Data used in forecasting the one automatically forecasts the other. Good Times are simply the reverse of Hard Times and are more easily forecasted.

The First Stock Exchange

F. T. HILL in *Harper's Monthly* thus describes the origin of the New York Stock Exchange:

"Wall Street's destiny had been determined at that little dinner at Jefferson's house, where Hamilton had sold New York's political birthright to insure the assumption of the State debts, for most of the public stock which the Treasury issued to finance its plan was marketed through the auctioneering establishments located at the eastern end of the still fashionable thoroughfare. Indeed, the first "Stock Exchange" known to the city, opened at No. 22 Wall Street about the first of March, 1792, was a direct effort on the part of the auctioneers to control this business.

"No marked alterations had yet occurred in the appearance of the street, but under one of the few shade trees, a buttonwood standing in front of Nos. 68-70 Wall Street, which had escaped destruction during the Revolution, there now gathered daily a small group of men who acted as brokers in the purchase and sale of the public stock, and their presence gradually effected a change in the character of the quiet residential neighborhood. Moreover, it was soon apparent that these men had determined to maintain the foothold they had acquired, for they were quick to resent the combination of the auctioneers which threatened to drive them from the field, and lost no time in declaring war against all the allied firms. At a meeting held in Corre's Hotel on March 21, with the monopolists, and on March 17 of the same year they subscribed to a written memorandum agreeing upon a definite commission and undertaking to give each other preference in all brokerage transactions.

Such was the origin of the New York Stock Exchange, but there was no immediate attempt to effect a permanent organization, and for some years the trading conducted under the old buttonwood tree was almost entirely confined to the marketing of the public stock."

INQUIRIES

What do you wish to know about trading or investing in securities or commodities?

Is it something regarding opening an account, margins, commissions, stop orders or other kinds of orders?

In fact, is there any point in connection with the science, methods or customs of the various markets which you would like to have elucidated?

If so, write us questions briefly and they will be answered in this column or otherwise If personal reply desired, enclose stamped envelope. Address Inquiry Department.

WE DO NOT GIVE ADVICE OR OPINIONS UPON SECURITIES OR PROBABLE MARKET MOVEMENTS.

Margins

A READER of the TICKER writes: "I deal in the active industrials and usually put up 15 points margin. I always reserve $1,000 in case of a break. Do you think this conservative enough?"

Fifteen points margin is conservative provided you limit your losses to a few points. Our friend does not state what maximum quantity of stock he carries, hence we cannot judge whether his $1,000 reserve fund is the equivalent of five points on 200 shares or fifty points on 20 shares. If he carries 200 or 300 shares, his fifteen points, backed up by $1,000 would not ordinarily carry him through a bad break or a panic. Suppose early in last year's unpleasantness he had bought 300 shares of various stocks at an average of 50. He could have margined them down to 35, and his reserve would have held him to 32—18 points in all. At 40 or 39 his broker would probably have called for margin. He would then have been obliged to sell out or put a stop on everything at a little above the exhaust point.

This is one of the poorest known ways of trading. Those who follow it practically stake everything on the *hope* that the market will not decline enough to wipe them out. This method is universally followed by the general public and accounts for the bulk of the money that is lost in Wall Street.

If one chooses to look upon the stock market in the same light as the racetrack—as a gambling game at which he can put up a few thousand dollars for the sport's sake—it's all very well for him to play that way. We hope the majority of our readers have made up their minds whether they are investors, speculators or gamblers.

In a stock market sense an investor is one who buys outright when stocks are cheap, and puts them away until improved conditions and increased dividends bring their just reward. Should prices decline materially after purchasing, they buy more, following the same plan.

A speculator who knows his business will not put up 15 or 18 points as a target for the Street to fire at. He may have that much "up" at his brokers, but his shrewdness and experience is shown in the placing of a stop order which says, "So much will I lose on *this* venture, and no more."

One is not justified in risking even two points unless there is a fair chance of making from four to ten points. One profitable trade in three is about all that can be expected by the ordinary experienced trader. If he does this, his profitable trade must yield him about five points to bring him out even—shown by the following figures:

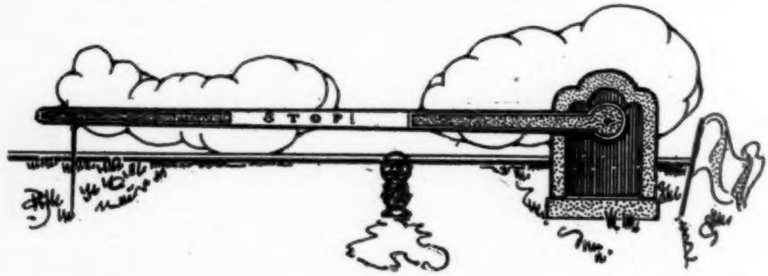
1st trade shows a loss of 2 points, commission and tax..........$227
2d trade the same................ 227
3d trade—commission and tax.... 27

Hence the 3d trade must show a profit of $481
to cover losses and expenses.

that some of the thousands who are trading blindly may have their eyes opened to the danger of taking large losses and small profits; to the folly of operating for single points when a large percentage of loss and expenses are involved.

Almost any plan of operation will show profits at times, but unless the profits constantly average more than the losses, it is merely a question of time when the capital disappears.

Ask any speculator how he lost his money, and he will point to some deal on which he lost ten or twenty points. This he will designate as his death-blow. But if you examine the record of his transactions you will find that he has



So it stands to reason that the trader who does not see a fair chance of making *more* than five points once out of three times, or who lacks the patience to stay with his profits (let them run) had better not risk his time and capital.

Following out this idea, it is easy to calculate that he who risks and loses 18 points on his first two trades, and who wins the third time, must make 37 points on the profitable trade in order to break even.

We frequently hear the tip passed in brokerage offices: "Buy yourself some and you'll make a point before three o'clock." A venture of this kind justifies the use of a one-point stop. If right two out of three times the trader is $29 ahead; but as tips have an unfortunate habit of going wrong, even this is almost too much to expect.

We mention these facts in the hope

risked $500 and $1,000 for every $200 he has made—he has been getting rich backwards.

Unless you can make more than you lose, keep what you make and make more, there's no use playing.

The Question of Responsibility

Q.—I am now dealing through * * * * who are members of the Chicago Board of Trade and represent * * * * members of the N. Y. Stock Exchange. I am informed that the latter firm is O. K., but when giving my orders on whose responsibility am I depending?

Ans.—You depend solely on the responsibility of the firm whose sign appears on the door. N. Y. Stock Exchange firms do not have "representa-

tives"—they have main offices, branch offices and correspondents. Branch offices are in charge of a manager; his name and the location of the office are officially registered and the sign on the door of the branch office makes it clear that the manager is the authorized agent of the N. Y. Stock Exchange firm; also that the aforesaid firm is responsible for all his acts in connection with the business. The manager is paid a salary for his services.

But if the out-of-town office is run under the name of another concern, they are not representatives, but *correspondents,* of the firm which executes the orders on the floor of the Exchange. A correspondent does business in his own name; the names of his customers are not known to the New York house. To illustrate: Suppose John Smith, of Oshkosh, decides to set up for himself in the brokerage business in that city. He will arrange with some New York Stock Exchange firm to run a wire into his office and will hang out a sign:

JOHN SMITH—STOCK BROKER
CORRESPONDENT OF X. Y. & Co.
MEMBERS N. Y. STOCK EXCHANGE.

Those who deal with Smith must recognize him as principal in their transactions and should satisfy themselves as to his personal responsibility. Their orders are given to *Smith,* and their margins are deposited *with Smith.* Smith in turn places *his* orders with X. Y. & Co. and deposits *his* margins with them. In case of the failure of X. Y. & Co. Smith will, unless badly crippled, go right on doing business by securing some other house to handle his transactions. On the other hand, Smith's failure may occur at a time when X. Y. & Co. are perfectly solvent.

The possession of a membership on the New York Stock Exchange is evidence that a responsibility of $150,000 or more exists. If a firm is handling business in stocks and you wish to know how they stand financially it is well to address the following inquiries to the bank with which the firm deals:

"Kindly give me your opinion as to the following points regarding John Smith, the Stock Broker, who I am told deals with your institution:

1. What do you consider him worth?
2. Does he speculate for his own account?
3. Is he engaged in outside enterprises which might cripple him eventually?
4. Do you consider him safe and to be entrusted with money and securities?
5. Is his past record clean?

It is also well to secure a commercial agency report.

A Scale System

After watching the daily fluctuations of the market for fifteen years and having been in the brokerage business for two years, I have proven to the satisfaction of my customers and myself that buying on a scale and selling on a scale is the only way to keep a balance on the right side. To illustrate:

Take an active stock having fluctuations of 80 points between high and low, the lower 15 points will be touched once a year or less often and the upper 15 points only at the limit of a bull movement and on rare occasions, leaving the bulk of the fluctuations within a range of 50 points.

Starting, say 30 points from low, buy 100 shares. Then sell 10 shares on each 1½ point advance and buy 10 shares on each 1½ point decline. This you will see on an average of one turn a day would be $3,712.50 a year, allowing for commissions, dividends, offsetting interest charges.

About $5,000 capital is required for this system. If the price of stock be higher than price referred to, buy less to start with, and if lower, take on more.

All of my customers following the above rule have been eminently successful, while those who have guessed the market, or bought and sold on tips and inside information, etc., have another story to tell. What do you think of this plan?

ALFRED S. PERRY.

Ans. Not one trader in a thousand has the capital and not one in a million

the nerve to follow such a plan. We know people who have tried it but at some stage of the proceedings they either lost their nerve or their capital. A method that will make money for ten months and lose it all and more in the next two is worse than useless, and if your customers are ahead on this game they had best hie themselves to the tall timber.

If a stock fluctuates 80 points for two or three years, this is no reason why it should not fluctuate 180 points the year you start playing. As it is impossible to set high or low points beyond which the stock will not go, you cannot compute how much capital is required. If you had been trading in Union Pacific last year there would have been probably 20 points decline (from 120 down to par) which you did not expect. To stand through the panic you would have been obliged to margin your high-priced longs down to about 80 (brokers required large margins during the panic) besides buying all the way down. If you didn't do this you wouldn't be sticking to your plan and there's no use having a plan if you can't stick. Anyone who employed $5,000 capital in this way would have lost it, while he who simply waited for the panic, and then bought 100 Union Pacific would now be receiving 10 per cent. dividends and have a profit of $6,500 against your $3,712.50. Besides, just think of all the time and worry he would have saved.

In Defense of the Bucket Shops

Editor of the TICKER:

Dear Sir:

Being a subscriber to your magazine and having read your "Bucket Shop Lure" in the September issue, I feel that in the name of justice and fair play, I should say a few words in the defense of the self same "Bucket Shops," as they are termed by their critics. As I understand them, they are brokers doing business independent of membership on any exchange, but along the same lines as members of the various exchanges.

The whole basis of your story is the fact that the school teacher bought Southern Pacific through the O'Dell Commission Co. on a 2% margin. They did not compel him to trade thus, neither would they have refused to allow him to have protected his account with additional margin, thus enabling him to retain his stock. It necessarily follows he did only what his judgment dictated, and being wrong, has no one to blame but himself, because if he had made his trade with a member of the New York Stock Exchange the result would have been the same.

Therefore this is only one more of the numerous instances where a "Bucket Shop" is blamed for some one's bad judgment. They in no way control the market, while on the other hand, exchange members do.

As a comparison we will take the late failures of T. A. McIntyre & Co. and A. O. Brown & Co., two firms which were members of the New York Stock Exchange and who were supposed to buy and sell securities for a stated commission; they compelled their customers to deposit a margin of 15 to 20%, borrowing said stock and pledging it with banks as collateral for loans, yet we find them both caught short of the market, their customers' money involved and they unable to settle. Now pray tell me why such conditions should exist, and if they are not in the same position as a "Bucket Shop," because when they are short 1 or 2 hundred thousand shares of stock, waiting for the market to react, they are surely in the same position as a "Bucket Shop" carrying the same amount of long stock on their books.

Then take the side we so often have seen when, after a big advance the "*Powers that be*" come out with announcements of deals, easy money rates, dividends and other combinations, for the purpose of disposing of additional stock to the public; after the "Lemons" have been handed out, the market is allowed to sell lower and lower and is finally hammered and hammered until it is down 30 or 50 points lower. The papers are then flooded with bad news, scares of decreased earnings, rate legislation, cutting of dividends and investigations, until the public are compelled to throw over their stocks for fear the bottom is going to drop out of the market. Finally they

find, after they have regained their composure that the same stocks are selling up to nearly the prices at which they were originally bought, ready to be handed out to them again in the same old way.

Surely such a condition is not brought about by the "Bucket Shops," and what about the *money lost by the public through such operations?*

Numbers of articles have been written about the "Bucket Shops" by bigoted persons. I hope you can give this letter space in your next issue, and see if there are not some of your subscribers who view the subject in the same light as I see it.

Yours respectfully,
Wm. A. Busch,
1806 N. Carey street, Baltimore, Md.

Ed. Note:

Our friend's primary error lies in his assumption that the keeper of a Bucket Shop is a broker.

A Bucket Shop is a place where bets on the market are recorded; where the proprietor backs the game and holds the stakes, but does not "put up" his own stakes.

A Brokerage Office is one in which stocks, etc., are bought and sold on commission.

In a Bucket Shop no stocks are bought or sold; in a Brokerage Office no bets are recorded. Hence there is a wide difference between the two.

Certainly the school teacher in the story was not compelled to trade. No one is obliged to enter an establishment of either kind. We will also admit that the O'Dell people would have accepted ten or twenty points instead of two.

The evil of the bucket shop system is found (1) in the fact that, two point margins are received, and (2) the trader is deprived of the effect upon the actual market to which his commitment entitles him.

These may at first glance seem trivial considerations, but they are highly potent factors in the success of your trader. The two-point feature makes it easy for him to lose money; by holding out such a standard of margining he is led to spread out too thinly and the first rally or dip catches him. Thus the bucket shop in offering such facilities throws a large percentage of chance against him and in its own favor. Whatever he loses the shop wins.

It has been stated, and we think it quite possible, that before the recent bucket shop laws went into effect throughout the country, the aggregate daily transactions of these establishments exceeded the daily volume of dealings on the New York Stock Exchange. In judging the bucket shop, therefore, we must consider that it represents a system which smothers by its devices the estimates of value held by one-half the traders in America. The act of merely recording orders and "transactions" on a sheet instead of executing them on the floor of a legitimate exchange largely decides the profit or loss accruing to the general public.

The school teacher in the story is not to blame for being wrong, in fact his judgment (if you call it such) was correct. He picked out the right stock at the right time. But his supreme ignorance of "the game" was shown in his swallowing the two-point margin bait and in taking on such a heavy line that the first reaction caught him.

The bucket shop fattens on victims of the school teacher's calibre—who are found in small towns where knowledge of true Wall Street conditions are difficult to obtain. Were it not for the class of citizens whose capital rarely is sufficient to margin ten shares with more than a $20 bill, the B. S. would have a hard row.

Exchange members do not control the market, as is shown elsewhere in this magazine.

The Exchange member of the McIntyre type is the exception and not the rule. McIntyre was one degree better than a bucket shopper, for it is understood that he at least executed his orders. If he sold 100 St. Paul for his own or the firm's account, against every hundred shares of St. Paul he bought for a customer's, he stood on the same ground as the bucket shop in certain respects—he nullified the effect of the client's purchases and he stood to make what the client lost.

If McIntyre was carrying 100,000

shares of various stocks for his clients and chose to sell 10,000, 50,000 or 125,000 shares of other stocks for his own account, he became a speculative broker —not a bucketshopping broker.

The line between his honesty and dishonesty was just as clearly defined. If he speculated with his own capital, who in Wall Street can throw the first stone? If he used one dollar of his client's money, he committed a criminal act.

At this writing nothing has developed in connection with A. O. Brown & Co.'s affairs to prove that they can be classed with McIntyre. The Brown failure was the outgrowth of a record-breaking volume of business executed for the firm's account during a short session. It is said that they bought and sold in two hours several hundred thousand shares, but it has not been shown for whose account this was done.

The physical impossibility of handling such a vast quantity of securities delayed their clearing house sheet, and swamped their stock department, making it impossible to complete deliveries. This weakened their credit, their banks refused to overcertify and they were obliged to suspend.

Although the majority of people are willing to condemn on circumstantial evidence, we believe in awaiting results of the inquiry now afoot, before the firm is finally characterized as belonging to this or that class.

Brokers of the McIntyre kind exist just as black sheep are found in other fields of activity. A few specked potatoes do not spoil the rest of those in the barrel.

The manipulative moves such as you describe are open to the study and scrutiny of every one and as we have frequently shown, are of distinct advantage to those wise enough to detect them. The trouble with most people is that they learn little about manipulation until they have lost their money, thereupon they appear to join those who howl loudest against it.

It would be well if the public could learn the rules of the game before "sitting in."

We very much appreciate your views, and are always glad to hear from you and others upon this or any subject of general interest.

Q.—I am thinking of doing some trading in wheat; I prefer it to stocks because I am more familiar with it, also because the margin is lower. This makes it safer than stocks on a small capital. I intend later if my venture is successful to trade partly in stocks. * * * What do you advise?

Ans.—We recommend that you confine your operations to grain exclusively because you know the most about it. Do not try to trade in both stocks and wheat simultaneously and do not trade in either until you know exactly what you are doing and why. First of all, better put out of your head the idea that a thin margin affords increased safety for the man with small capital. The "Margin of Safety" in speculation is gauged by the percentage of profits over losses during a considerable period of time—not by the amount of margin you employ. Thin margins are accepted only by lightweight houses. The man who trades on thin margins is in constant fear of being sold out. His judgment cannot be clear. As a penance for entertaining such ideas we suggest that you commit to memory everything relative to Margins and Bucketshops appearing in back numbers of the TICKER, also that you do not make your first trade until the August, 1909, issue appears.

Q.—I am desirous of making certain investments in mining stocks and would be pleased if you would favor me with your opinion of the firm of * * * *. This firm is very much more reasonable in commissions and will carry stocks on one-third margin at 6 per cent. interest.

Ans.—We prefer not to express our opinion of the firm in question. Judging from your letter their business is now incorporated. This may be the result of certain articles which appeared some time ago in the New York *Sun*, reflecting seriously upon their methods.

We look upon the concern as dealers in wildcat mining stocks. These cannot be considered investments; not one in five hundred of such "securities" ever reach the stage where legitimate dividends are earned and paid.

A railroad or industrial stock which has paid dividends for a series of years and whose earnings in hard times show ample surplus over dividend requirements may be considered an investment. From this standard it's a far cry to the "wildcat." You might better buy one share of the former than a barrelful of the latter.

On page 37 of our February number you will find some reasons why houses cannot legitimately carry such stocks on margin. The reduced commission charge is a form of bait usually thrown out by those who aim to grab your principal with neatness and dispatch.

Q.—I have for a long time had the idea

that it would pay to collect all your surplus, await a panic, then buy and when a good profit was shown sell and place the proceeds in the bank and wait for another such an opportunity.

This I did last October. I followed the quotations, and when the Knickerbocker Trust Co. was threatened I thought it a good time to buy. This I did, obtaining N. Y. C. @ 98, Penn. @ 115, Utah Con. Copper @ 28 and, later on, Gen. Electric @ 128.

You will see from this that I have considerable to learn. In looking around for a good paper by the use of which I might obtain better results, I chose the TICKER. Since then I have purchased of you a book, "Investment Stocks," and after carefully reading it over I find it to contain a quantity of good advice.

Where may I obtain records of past Fundamental Statistics, comprising the twenty-five subjects named, and also where may I find them in the future?

Ans.—You are not so ignorant of the subject as you think. Some people spend a lifetime learning to buy in panics. If you never learn more than this one thing and stick to it you can make your everlasting fortune. In studying the various stocks you will learn to select those likely to show the best results.

We are contemplating the addition of fundamental and other statistics to the reading matter in the TICKER. Cannot say just when this will begin. Meantime, we have no doubt that Roger W. Babson, Wellesley Hills, Boston, Mass., will be able to furnish what you desire.

Q.—Union Pacific closes at 158¾. I notify my broker the following morning to put stop at 158 and if it advanced above 159 to raise stop to 159. U. P. opened at 159¼, but my broker only obtained 158½, leaving me to the bad $50. Do brokers guarantee to catch stop loss orders and am I entitled to a kick with a chance of getting the $50 back?

Ans.—It would seem that your broker was at fault in this transaction which evidently took place on August 12th and 13th. On the latter date the opening sales of Union Pacific were as follows: 700, 159¼; 600, ⅛; 1,500, 159.

As soon as your broker saw the first sale at 159¼ on the floor or on the tape he should instantly have placed the stop at 159. After an interval there were sales of 700, 159; another interval, then 158⅞; 800, ¾; interval, 700, 158⅝; interval, 100, 158½. There were 4½ yards of tape between the opening quotation and the sale of 158½. From this it looks to us as though he was slow in placing the stop order and that you should be entitled to a higher price then 158½. Brokers do not guarantee to catch stop orders at exactly your price. See article on Stop Orders in the September TICKER.

Q.—I am carrying stock in the Tennessee Copper Co. which (according to precedent) should have declared a semi-annual dividend, payable Aug. 15th. Is it not unusual for the company to pass the customary time for declaring the dividend without making some announcement? Are corporations not under obligations to their stockholders to announce the passing of a dividend publicly or otherwise? Is there no Stock Exchange rule which compels them to announce their intentions?

Ans.—The Tennessee Copper Co. informs us that it has been impossible to secure a quorum and that the dividends will probably be acted upon early in September. It is usual for a corporation to announce the passing of a dividend through the news column of financial and other daily papers. This is done out of courtesy to stockholders. We know of no law compelling such action. The only Stock Exchange rule relating to this question is one which requires corporations to post a notice of the declaration of a dividend, ten days before the transfer books close.

Q.—Kindly give me an example of automatic and mechanical orders. Give a good

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definition of the terms, "Fundamentally strong," "Technically weak," and state how the market can be fundamentally strong for a long rise and technically weak for a short fall.

Ans.—An example of an automatic or mechanical order is given on page 189 of our August number.

The market is fundamentally strong when all basic conditions are sound; that is, when money is easy, the business outlook bright, crops abundant, etc. It is technically weak when large quantities of stock are in weak hands, viz., being carried on thin margins by the outside public; when the short interest has been generally covered, and insiders have sold out.

These conditions may prevail at one and the same time.

Q.—I understand that some authorities recommend 10 per cent. margin as distinguished from 10 points margin. Kindly explain the difference.

Ans.—In this case we judge 10 per cent. of the market value is meant, but the term is seldom used in this sense. Such a margin on 100 Union Pacific at 150 would mean $1,500. The average broker when requiring such a margin would call for "15 points."

Q.—I notice some contradictions in your September issue. Your Floor Trader advocates scalping, Thos. Gibson does not; one writer says "the game" is illogical; this seems contrary to your ideas on speculation.

Ans.—As to scalping, what is one man's meat is another's poison. Scalping is the floor trader's game par excellence. He has only the revenue tax and $1 clearance to pay and can therefore scalp for eighths and quarters. Mr. Gibson's argument against scalping is intended for those who have commissions to pay and who trade for a point or two. Such operations are usually based on tips, hope or guesswork, and are generally unsuccessful. The floor trader follows the trend, as governed by the momentary supply and demand. He frequently succeeds where the outside trader could not.

The game is both logical and illogical. As we understand it, the adjective "logical" is usually applied to something which can be correctly inferred—accurately reasoned out. The majority of market movements are due to manipulation; these movements cannot be reasoned out and are therefore illogical. The logical movements are those based on increased or decreased earnings and dividends the result of which is in higher or lower prices.

As our articles are written by many different authorities, you can hardly expect them to coincide. We aim to secure the best obtainable material on the entire subject, and it seems that while "doctors frequently disagree," there is much to be learned by listening even to opposing arguments.

Q.—Some time ago I deposited with a recently failed firm a certificate of stock as margin. It was understood that this stock was not to be sold. I at one time purchased an equal amount of the same stock on margin, but this trade was closed some time ago. What are my rights in the matter and what action do you suggest?

Ans.—If there is a debit balance against you on the firm's books you can redeem your certificates by paying the amount. If there is no debit balance your certificate will doubtless be returned to you. Brokers understand that they cannot appropriate certificates belonging to clients without making themselves liable to criminal action. See Supreme Court decision on another page. It seems best that you retain a competent attorney to see that your interests are protected.

A Boston reader says: "Took THE TICKER home last night and read it all the way through—every word of it I found of great interest. You surely do hit it off in great shape in your magazine and you richly deserve a great big success."